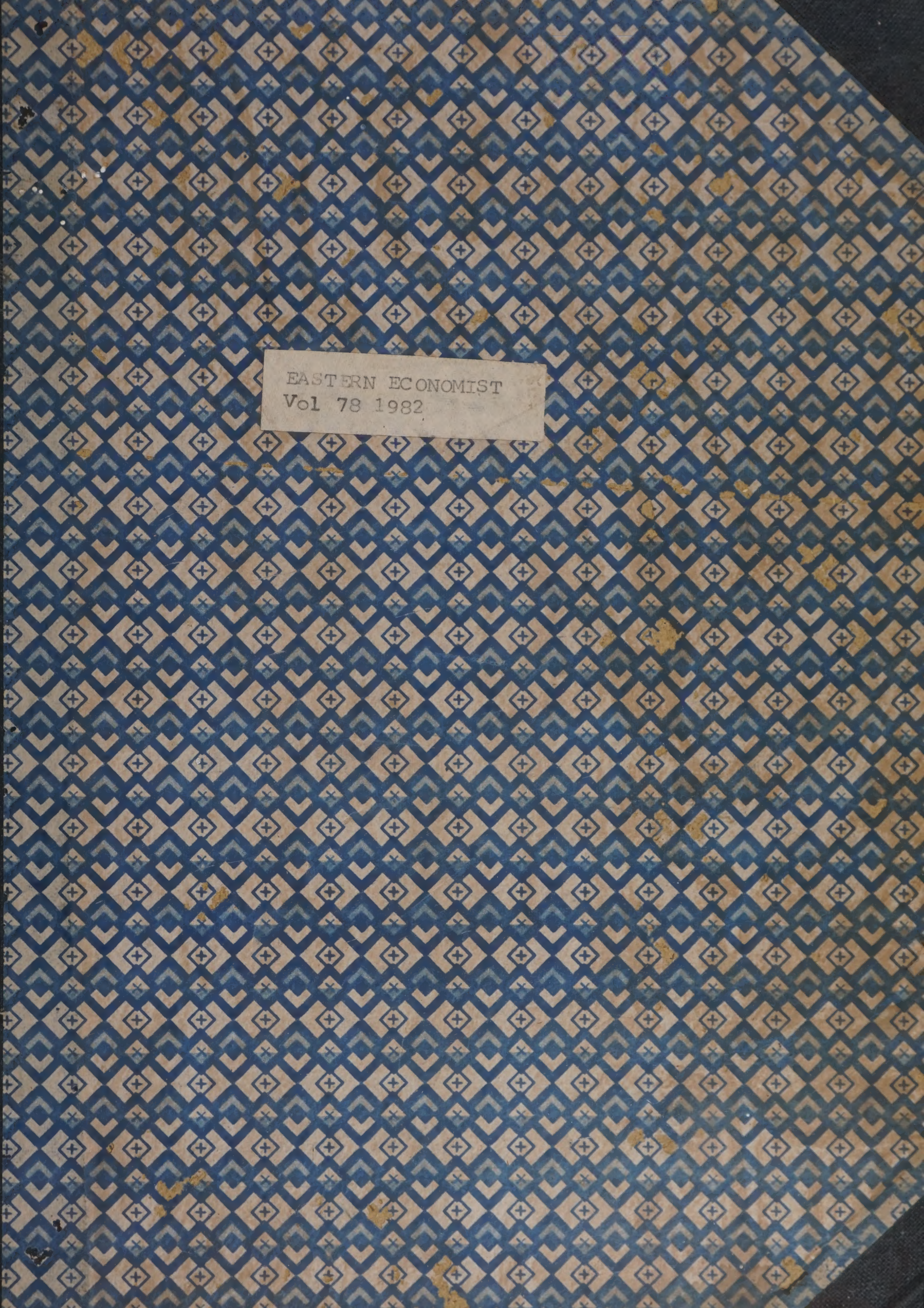

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This Week

larch 24

The Bangladesh Army Chief, Lt Gen H.M. Ershad, seized power in a bloodless coup and clamped martial law on he country. All political activities banned.

The pound sterling has become costier by 5 paise following the Reserve Bank's devaluation of the rupee by 0.29 per cent. RBI has fixed the new middle rate at Rs 16.85 per pound against the earlier rate of Rs 16.80 per pound.

larch 25

The United States has decided to relax the quantitative restriction on imports of ladies jackets, skirts and blouses rom India.

Lawyers in different parts of Brahmaputra Valley of Assam boycotted the courts, including High Court at Gauhati, demanding an early solution to the oreign nationals issue.

March 26

The Indian rupee has become dearer by 10 paise against the pound sterling following the Reserve Bank's upvaluation of the rupee by 0.59 per cent. With this revision, the middle rate per pound appreciated to Rs 16.75 from Rs 16.85.

Bangladesh has assured all foreign governments that it will honour "all treaties, agreements and multilateral and bilateral commitments."

March 27

The official wholesale price index for all commodities base 1970-71, after registering a continuous decline for five weeks rose during the second post-Budget week ended March 13 to 215.2. The annual rate of inflation has come down to 2.2 per cent against 15.4 per cent during the corresponding week last year.

The Union Finance Minister, Mr Pranab Kumar Mukherjee, has assured industry that the credit policy will meet the "legitimate requirements" of higher production during 1982-83.

March 28

The indebtedness of the States to the Centre has gone up from Rs 375 crores in 1951 to Rs 27,500 crores in March 1982.

The Department of Coal has set up a task force to study details of coal supplies to major thermal power stations in the country.

Consumer price index numbers for Delhi industrial workers, according to the Labour Bureau series on base 1960=100, has worked out to 474 for February registering a decrease of two points over that of 476 for January, 1982.

March 29

Mrs Maneka Gandhi, widow of Sanjay Gandhi, moved out of the Prime Minister's residence—1, Safdarjang Road—following Mrs Indira Gandhi's strong objection to her using the place to carry on political activities opposed to her and Congress (I).

Soviet Foreign Trade Organisation Stankoimport signed a contract with Hindustan Machine Tools (HMT) for importing machine tools worth Rs 5.2 crores.

The Health Minister, Mr B. Shankaranand, announced that the Centre would soon come forward with an amending bill to enhance the punishment for offences involving spurious drugs causing death or harm to the health of the people.

March 30

The Indian rupee became dearer by 5 paise against the pound sterling, following its up-valuation by 0.30 per cent by the Reserve Bank. With this revision—the 23rd this year—the middle rate per pound appreciated to Rs 16.70 from the previous Rs 16.75.

The Petroleum Minister, Mr Shiv Shankar, informed the Lok Sabha that the Government had signed an agreement with Chevron company of the US for exploration and exploitation of hydrocarbons in offshore block II field of Saurashtra.

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ECONOMIST

From Recovery to Growth

THERE CAN be no two opinions on the need for fostering investment and growth following the recovery that has taken place in the economy over the past 18 months after a serious setback in 1979 and early 1980, The Union Finance Minister, Mr Pranab Mukherjee, and the President of the Federation of Indian Chambers of Commerce and Industry, Mr Arvind N. Lalbhai, thus found themselves speaking on the same wavelength at the 1982 annual general meeting of the FICCI in so far as this vital issue was concerned. Their perceptions of the measures to be taken to attain the goal, however, were not similar except to a very limited extent. Both treaded their familiar grounds, Mr Mukherjee stressing the concessions he had allowed in fiscal policy for spurring growth and Mr Lalbhai wailing that not much had been done with the result that industry found itself shackled in gearing itself to the tasks ahead.

The divergence in perceptions stems primarily from inadequate appreciation on both sides of each other's point of view. Industry obviously has its sectional interests to stress. The Government, on the other hand, has to view the situation in its totality specially when it is functioning in a democratic set-up. This basic conflict is reflected not only in the disappointment of industry over the budgetary proposals of Mr Mukherjee and absence of direct relief in corporate taxation but also in the need for continuing with tight credit policy.

Credit squeeze, indisputably, has helped in containing the prices spiral, the process, of course, being assisted a great deal by increase in agricultural as well as industrial production. Another helpful factor has been the improvement in infrastru ture facilities. Mr Mukherjee, therefore, has particularly en phasised, and rightly so, the need for constant vigil on th prices front lest inflationary pressures re-emerge wit even a small disturbance in the delicate balance that has bee brought about between supply and demand. The industry, o the other hand, is vociferous in pleading for relaxation in cred squeeze which, if continued, it alleges, will have a deleteriou effect on production in a year designated as the productivit year. While all constraints on production have to be mitiga ed to as large an extent as possible, as this will be helpful i containing price rise, generally tight credit too is essential fo this very purpose.

Some signs of relaxation in credit, of course, are there The Reserve Bank of India has abandoned the plan to rais the cash-reserve ratio (CRR) of commercial banks from 7.75 t 8 per cent. This should augment the capacity of banks to len more. But admittedly, the recognition of the need for a step up in credit for productive purposes, especially in the indus trial sector, has come very tardily. The decision of the Reserv Bank on CRR alone cannot yield the required results: not onl the growth in deposits has slowed down in the recent past bu also liberalisation of credit to certain priority sectors is impinging upon credit availability to industry.

The situation would not have been as acute as it is had th industry been able to generate adequate internal funds for expansion and modernisation. But it is even finding it hard t

:r fully for the working capital requirements. The Finance nister has referred to the non-food bank credit to the com- rcial sector expanding at an average annual rate of 22 per t over the years 1979-80 and 1980-81 even though indus- l output in these years had shown a real growth of only ut 1.3 per cent per annum. He seems to have overlooked fact that the acute inflationary tendencies in the economy pushed up production costs considerably. Production and ribution processes also had been hit severely by infra- icture bottlenecks and the aftermath of unprecedented ught in 1979.

Credit policy, no doubt, is a delicate instrument and sudden ; to it can inject serious distortions into the economy. While re is every case for containing credit for less essential uses, legitimate production and trading requirements have to be ered for. Governmental policies, by and large, are respon- le for creating the tight situation in which industry finds lf today. Its dependence on commercial credit, whether n the banking sector or private deposits, has grown as a uel to inadequate generation of internal resources. The ation cannot be remedied in a short span of time, even ugh, hearteningly enough, industry has been able to mobilise year substantially more from the open market, particularly ough the issuance of non-convertible debentures. Mr kherjee has held out assurance that credit policy will be ninistered in a manner so as to ensure that the legitimate lit requirements of higher industrial output in 1982-83 are .. It remains to be seen how far it is going to be implemen- such an assurance was given last year as well but to little :t.

The need for stepping up investment in the economy can- be over-emphasised: additional production can be wrested n the existing facilities only to a limited extent and that not for long. Capacities have to be expanded both in the lic and private sectors. The step-up in the 1982-83 Central n outlay, though somewhat illusory, is welcome. Significant- ne outlays for the energy and transportation sectors have been ed substantially. This should assist in improving infrastruc- : facilities further, though the outlay for the development grammes of railways should have been higher. The State ns, of course, are suffering from financial constraints: only e will show whether the States will go in for adequate urces mobilisation efforts in the interest of enlarging their ns.

Improved infrastructure facilities, particularly in the power or where generation will improve even otherwise thanks to d rains and snowfall this winter, should go some way in ing industrial as well as agricultural production. But the spects for a sizeable increase in investment in the private or in industry do not appear to be promising in view of constraints on institutional finance. The private sector d go in for larger mobilisation of resources from the ket, but the Finance Minister's endeavours at raising urces for the public sector not only through taxation but also through the social security scheme and investment bonds, will siphon off sizeable community savings, leaving only a limited scope for the private sector to attract funds. Further, the lure of non-convertible bonds has started wearing off. Serious efforts, therefore, will have to be made to improve the yield from investments or deposits in the private sector. The liberalisation effected in industrial policy can yield results only if adequate investible funds are forthcoming. It is in this context that the FICCI President has been pleading for relief to industry in corporate taxation. Since this relief has been denied, urgent thought ought to be bestowed on ways and means to enable the private sector to attract investments from the public.

The pressure on balance of payments, indeed, should get mitigated considerably during 1982-83 due to various factors. Increased production can assist in curtailing imports, even though the general import policy is proposed to be kept liberal. Significant dents can be expected to be made on the import bill for crude oil and petroleum products, cement steel, fertilisers and even edible oils. To some extent this import substitution effort will be counter-balanced by the likely increase in imports of equipment and machinery as well as some raw materials. But still the import bill can be anticipated to remain quite large, especially when exchange fluctuations may adversely affect the rupee. The depreciation of the rupee can be helpful in boosting exports only in a limited way. The incentives proposed by Mr Mukherjee for promoting exports may yield some wholesome dividends. Yet trade deficit will continue to be quite large. The concessions proposed for attracting larger remittances by non-resident Indians should go some way in reducing the balance of payment deficit. In the long run, however, greater emphasis will have to be placed on raising exports. Generation of exportable surpluses, thus, is imperative. Both the Government and industry have to work in close coordination towards this end.

The indication provided by the Minister for Industry, Mr N.D. Tiwari, during the FICCI session that the MRTP Act will be revised soon to enable larger industrial houses to play greater role in industrialisation, particularly of backward areas, should augur well for future growth. Some judicious modification in FERA too may not be ruled out. But it needs to be stressed that the decisions at the top take unduly long to percolate to the lower levels. This causes unnecessary irritants and sometimes negates even the best intentions. Care should be taken to obviate this. Heightened emphasis that is being placed on completion of public sector projects within the time schedules set for them ought to be hailed : tardy implementation of these projects has entailed serious over-runs in costs, straining the limited financial resources available for development. As the Finance Minister has stressed, the industry too should devote greater attention to improving its efficiency, modernisation of technology and reduction in costs so that it can enhance its competitiveness in the world markets, besides making the best use of the scarce resources.

Restoring Fiscal Discipline

J. de Larosiere

A PROMINENT feature of the recent global economic scene is fiscal disequilibrium. Over the past decade, the fiscal deficit as a percentage of GNP has roughly doubled for the world as a whole. Many countries exhibit large, growing, and persistent fiscal imbalances. While ten years ago a sizable proportion of countries had surpluses, these have by now become virtually non-existent. Fiscal disequilibrium cuts across regions, levels of development, and, indeed, countries with widely differening social and economic systems. Fiscal deficits of central governments in the seven major industrial countries rose from a weighted average of 2.0 per cent of GNP in 1972 to the current figure of around 4 per cent (see Table 1). For some industrial countries, the increase is much more dramatic. Thus from 1972 to 1981, the central governments' fiscal deficit, as a percentage of GNP, rose from 3.7 per cent to 12.2 per cent in Belgium, from 7.4 per cent to 12.8 per cent in Italy, from 5.6 per cent to 16.9 per cent in Ireland, and from a surplus of 1.6 per cent of GNP to a deficit of 8.0 per cent in Sweden. Although the figures in particular years may be affected by cyclical fluctuations, the trend is clearly upward.

A similar phenomenon is also observed in the developing countries, for which, however, comparative statistics are more limited. Although all regions exhibited this trend, increases in fiscal deficits were particularly pronounced in Africa and in some Latin American countries. At the same time, some of the centrally planned economies exhibit equally serious fiscal imbalances.

I plan to examine, first, some factors leading to the current fiscal disequilibrium. Next, I shall consider some of the consequences of high fiscal deficits, focusing on the kinds of damage they can inflict upon the economy in different policy environments. I shall then outline possible corrective actions. The basic theme is that great pressures for public expenditure have, over the years, brought us to the present situation whereby in many industrial countries, large fiscal deficits often coexist with high tax burdens. Therefore, while the high deficits have contributed to the current inflationary environment, the high levels of taxation have often become obstacles to the efficient functioning of the economies. In short, the fiscal policy followed by many countries over the past decade has been a basic ingredient of stagflation. Rather than be the "stabilizing factor" advocated by Keynes, fiscal policy has, in many countries, become one of the major destabilizing forces. In my remarks I shall concentrate on the industrial countries although, in passing, I shall at times refer to the developing countries.

Progressive Development

There is sometimes a tendency to explain the current fiscal imbalances exclusively in terms of immediate causes such as the slowdown in economic activity and the supply shocks of the past decade. However, perceptive observers would realize that the fiscal imbalances affecting so many countries today did not happen suddenly but developed progressively over time. Furthermore, they were, perhaps, more the result of government policies than of exogenous factors. The supply shocks and the downturn in economic activity that occurred merely accelerated and exacerbated the financial disequilibrium already operating in the world economy.

The fundamental cause of the fiscal imbalances is to be found in the changing attitudes vis-a-vis the proper role of the government and in the response on the part of policy makers to those changing attitudes. Over recent decades the view of what governments should do has changed enormously. While the prevalent thinking of earlier and simpler
times limited the role of the governme
to a few well-specified functions, in mo
recent years, that role has dramatica
expanded to include (a) stabilizing t
economy, (b) stimulating its growt
(c) redistributing incomes, (d) guara
teeing income levels and jobs, (e) pr
venting the demise of ailing and unpr
fitable enterprises, (f) supplying par
cular commodities and services at subs
dized prices, and (g) regulating a myria
of other activities.

The Moot Point

Many of these functions have the
legitimacy and, within proper limits, ca
be justified. To avoid any misunderstan
ing, I wish to emphasize that my argu
ment here is not that government shoul
not engage at all in those activitie
or that there is some absolute or optim
size for the public sector. As the head
an organization that includes 145 ver
heterogenous countries, I clearly recog
nize that different countries have diffe
rent views about the proper functions
the government and the proper size
the public sector. Rather, the poin
that I wish to make is that in recen
years many of these activities hav
been pushed to levels that were no longe
consistent with fiscal soundness.

The pressures on governments to ex
pand these functions have brought abou
a public expenditure explosion especiall
for the types of expenditures associate
with social security and so-called entitle
ment programmes. Large sectors of th
population have come to expect that th
governments will guarantee their income
during periods of unemployment; wil
sustain them during periods of retire
ments that, because of demographi
changes and social conventions, are be
coming an always larger proportion o
a person's life; will finance their medica
and educational expenses, will guarante
that some services that they buy remain
cheap regardless of cost considerations
Over the past decade, we have tru

Mr Larosiere is Managing Director, International Monetary Fund.

tnessed a revolution of rising pectations vis-a-vis what the governent can and should do. This has sulted in programmes which not only ve increased the level of benefits to e original beneficiaries, but have also laxed the qualifying requirements so at they have been extended to larger d larger sections of the populations. some cases, these programmes were troduced when their cost was low and eir future fiscal consequences were nored. In other cases, highly optimistic recasts about important variables such growth, employment, and inflation, ere made at the time the programmes ere introduced or expanded, mainly ring the 1960s and early 1970s. hen the stagnation decade of the 1970s me --with low growth, high inflation, d high unemployment—it became imossible for many countries to keep eir commitments and still pursue a und fiscal policy.

Some data will give a feel for the imact of these developments on public penditure. For the seven major indusial countries, the ratio of total public penditure to GDP rose from 29 per ent in 1965 to around 37 per cent in cent years. For some individual counies, these increases have been even more pronounced: in Canada, West Germany, Italy, Japan, Spain, and the United Kingdom, the ratio of total public expenditure to GDP rose by more than ten percentage points between 1965 and the end of the 1970s (see Table II). For some of the smaller industrial countries such as Belgium, Ireland, Luxembourg, the Netherlands, Norway, Portugal and Sweden, the increases were even more pronounced, exceeding 15 percentage points. In all of these countries, including France, the ratio of public expenditure to GDP now exceeds 40 per cent. In all cases, entitlement programes and other transfers have been the main factor for this expansion.

Initially, governments tried to finance the higher expenditure by increasing the level of taxation. Sound fiscal policy required, in principle, that higher levels of public spending be met by higher levels of taxation. As a consequence, the ratios of taxes to GDP rose in almost all countries and especially in the OECD countries. For example, the average tax ratio for all the OECD countries combined rose from 24.7 per cent in 1955 (and 28 per cent in 1956) to 36.6 per cent in 1980. For some individual countries, the increase is even more remarkable. In Sweden the ratio rose from 25.5 per cent in 1955 (36 per cent in 1965) to 50 per cent in 1980. In Norway it rose from 28 per cent in 1955 (33 per cent in 1965) to 47 per cent in 1980. In the Netherlands it rose from 26 per cent in 1955 (35 per cent in 1965) to 46 per cent in 1980. For the most part the increases in these ratios were generated by much higher revenues from personal income taxes and social security contributions.

To put the present level of taxation in an historical context, it may be worthwhile to recall that in the late 1940s, Colin Clark advanced the thesis that when the tax ratio exceeds 25 per cent, inflation becomes inevitable. Today, the tax levels in most countries are far above the critical limit set by Clark, but they are still not sufficient to cover public expenditure.

Tax increases of this magnitude, especially when accompanied by high marginal tax rates, could not be brought about painlessly. In recent years, it became increasingly evident that further tax increases could in some countries have substantial efficiency and political costs. At the political level governments met with increasing taxpayers' resistance in a number of countries. Of these, perhaps the most colourful and recent expression came with Proposition 13 in

TABLE I

Selected Industrial Countries: Central Government Financial Balances

(In per cent of GNP)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981*
anada	—0.5	0.3	0.7	—2.3	—1.8	—3.5	—4.6	—3.5	—3.7	—2.1
nited States	—1.5	—0.4	—0.7	—4.9	—3.4	—2.6	—2.0	—1.2	—2.6	—2.7
apan	—4.7	—5.3	—5.8	—8.9	—8.4	—7.3	—9.3	—9.0	—8.5	—7.8
rance	0.4	0.6	0.3	—3.0	—1.1	—1.1	—1.5	—1.2	—1.3	—2.7
est Germany	—0.2	0.5	—0.7	—3.6	—2.8	—2.2	—2.1	—1.9	—1.8	—2.6
aly	—7.4	—8.3	—7.5	—10.7	—9.1	—9.0	—15.0	—11.2	—12.0	—12.8
nited Kingdom	—2.5	—3.1	—4.2	—8.0	—5.5	—3.1	—5.0	—5.5	—5.0	—4.1
eighted Average of Above Seven Countries	—2.0	—1.5	—1.9	—5.6	—4.2	—3.6	—4.1	—3.4	—4.0	—4.1
elgium	—3.7	—2.9	—2.8	—4.7	—5.0	—5.9	—6.0	—6.5	—8.6	—12.2
reland	—5.6	—6.9	—6.5	—16.3	—11.2	—10.2	—12.7	—14.1	—14.6	—16.9
weden	1.6	1.8	0.2	0.1	2.1	—0.8	—4.2	—6.2	—6.8	—8.0

* Preliminary.

Source : International Monetary Fund.

the State of California. However, this resistance was not limited to the United States but affected other countries as well. It is a fact of life that it has become progressively more difficult for governments to remain in power if they are associated with policies that raise the tax burden. With increasing frequency, in recent years countries have taken steps aimed at preventing the tax level from rising any further, or at least at slowing down its rate of growth, and some have even attempted to lower that level. These steps were either in the form of indexation of the tax system (Australia, Canada, Denmark, the Netherlands, Sweden, the United States after 1985, etc.) or of explicit policy decisions to maintain the level of taxation through discretionary measures (Finland and the United States).

As the high average tax ratios were often associated with even higher marginal tax rates on labour and capital incomes, concerns about the effects of these levels of taxation on economic efficiency also grew. These concerns have in recent years received widespread recognition; economists and policymakers alike have come to realize that when marginal tax rates reach very high levels, the tax base itself may be reduced.

At those high marginal tax rates, individuals are likely (a) to substitute leisure for work; (b) consumption for saving; (c) non-taxed activities for taxed ones; (d) to rely more on underground activities; (e) to become less compliant with the tax authorities; (f) to become more wasteful vis-a-vis deductible expenses; and (g) generally to be less concerned with efficiency. The net result will be that the supply of resources is likely to fall and the factors of production will be less efficiently allocated. When high marginal tax rates are combined with high rates of inflation all these effects become even more pronounced. In sum, when the tax burden is already high, it becomes increasingly difficult and costly to finance additional public expenditure through tax increases. There can be little doubt that in recent years the tax system, including social security taxes, has contributed to the stagflation in industrial countries as taxes have often raised costs while discouraging production.

As tax increases became more difficult, and in the face of continuing strong pressures on government to keep expanding their activities, fiscal deficits grew. These historical trends were aggravated by the economic environment that prevailed in the 1970s whereby sluggish growth and external shocks created many ailing and uncompetitive industries which could survive only with government assistance. The governments kept these industries operating for fear of raising the unemployment rate; they were kept operating by subsidies which contributed to the fiscal deficits and postponed the needed adjustment.

TABLE II

Industrial Countries: Selected Characteristics of Total Government Expenditures

1. Countries Showing an Increase of More than 10 Percentage Points in the Ratio of Expenditure to GDP since 1965 :

Japan
West. Germany
United Kingdom
Italy
Canada
Belgium(*)
Denmark
Ireland
Luxembourg (*)
Netherlands(*)
Norway(*)
Portugal(*)
Spain
Sweden(*)
Switzerland

2. Countries whose Ratio of Expenditure to GDP Exceeds 40 Per Cent:

West. Germany
France
United Kingdom
Italy
Canada
Belgium
Denmark
Ireland
Luxembourg
Netherlands(**)
Norway
Sweden(**)

Source : OECD.

(*)Exceed 15 percentage points.
(**)Greater than 50 per cent of GDP.

Unusual Feature

As we all know, fiscal deficits can have beneficial effects on the economy in times of recession, when price stability prevails, and when the deficits are not large enough to crowd out the private sector. In fact, in this situation a deficit may itself result from, rather than be the cause of, the downswing in economic activity. However, the unusual feature of the current situation is that fiscal deficits are not limited to, or result from, recessions but seem to ride over cycles. Furthermore, in some countries, these deficits have grown with each new cycle. For example, in spite of the expanding level of economic activity that prevailed in the United States in the 1976-79 period, the fiscal deficit failed to disappear and remained significant.

High and sustained deficits cannot fail to eventually damage the economy. These effects may come in the form of inflation, balance of payments disequilibrium, high interest rates, misallocation of resources, low growth rates, increasing unemployment, and, eventually, social tension. Although some of these effects are inevitable when fiscal deficits are high and sustained, the specific impact of high deficits on the economy will depend on how these deficits are financed and on the prevailing economic conditions.

Fiscal deficits can be financed through (a) domestic borrowing without monetary expansion, (b) domestic borrowing with an accommodating monetary policy, and foreign borrowing. I shall discuss in rn these three alternatives.

If the monetary authorities do not commodate the borrowings to cover budgetary deficit, the private capital rket will have to absorb the increase government debt out of existing financl flows. Ignoring the possibility of ernational capital inflows, and in the sence of a concurrent fall in the private ctor's demand for credit, real interest tes must rise enough to squeeze out ivate borrowing. The government will, its very nature, always have first claim the financial resources available, and e private sector will have to settle for e residual.

Short Run Effect

As economic theory as well as npirical evidence indicates that borwing for investment is more sensitive the rise in real interest rates than rrowing for consumption, private instment will be affected more than conmption. Therefore, at least in the short n, economic activity will be reduced. his effect may be alleviated if the crease in the real rate of interest brings bout capital inflows or if it induces a igher domestic rate of saving. Undoutedly, some of this will happen but, many cases, it is not likely to be rge enough to fully neutralize the effect f the deficit.

Given the private sector's demand for anable funds, the effect of the deficit n interest rates will depend on the ratio f government borrowing to total borrowng. When government borrowing rises s a share of total borrowing, the presure on real interest rates will, *ceteris aribus*, become stronger. The private ector's demand for credit is influenced y the business cycle, growing during ooms and falling during recessions. Therefore, the financing of a given level of deficit will have more noticeable interest rates effects during periods of economic expansion than during periods of contraction. If deficits occurred only during periods of recession, when the private sector's demand for credit is low. interest rates effects might not be evident. This is the reason why it has been difficult to find statistical evidence of a relationship between interest rates and deficits in the United States. But let us not delude ourselves: deficits do affect interest rates and they do crowd out private investment.

In spite of the decline in the inflation rate and the recession, the current level of nominal interest rates in the United States is high, and the level of real interest rates is extremely high, causing many serious problems, both for the United States and the rest of the world. One plausible reason is that lenders expect that an end to the recession, with a continuation of high deficits, will put additional pressures on the financial markets as private borrowing rises. As the supply of loanable funds depends on the level of financial saving, countries that save a lot, such as Germany, Italy, and Japan, experience less difficulty in financing a given level of deficit (expressed as a share of GDP) than countries with lower rates of saving, such as the United States. As the business sector is, in most countries, a net borrower, one must look at personal saving as the main source of surplus funds. In recent years, for example, in Japan, personal saving, as a per cent of disposable personal income, was four times as large as in the United States. In Germany, it was about three times as large. Therefore, the unqualified comparison of the ratios of fiscal deficit into GDP across countries may be misleading in assessing the effects of those deficits on private investment.

Increased Rates

With higher deficits, the ratio of public debt to GNP is likely to increase. If it is true, as it has been recently reported for the United States, that there is a relatively fixed relationship between the total debt (both private and public) and GNP, the increase in public debt will imply a crowding out of private debt with obvious implications for capital formation In the United States, for example, total debt has averaged about 140 per cent of GNP for several decades. Interestingly enough, when in the United States the ratio of public debt to GNP was declining, as it was throughout the 1960s, the economy was growing at a lively pace, while in the 1970s when that ratio was either staionary or increasing, the rate of growth slowed down. Was this a coincidence or the result of some relationship?

Thus, high fiscal deficits accompanied by tight monetary policies (measured in terms of the rate of growth of the money supply) may not generate inflation but will nevertheless raise interest rates and thus bring about a reduction in private productive activities, This reduction will itself magnify the size of the deficit through its built-in negative effects on revenues and positive effects on public expenditures. Germany, Japan, and the United States are important examples of countries that have been pursuing tight monetary policies in the face of sizable fiscal deficits.

US Deficit

In spite of its still relatively low ratio to GNP, the US fiscal deficit accounts for a large share of available surplus funds and is of the same order of magnitude as total net outlays for new plant and equipment. When extra budgetary borrowing on behalf of other agencies is also taken into account, the current borrowing requirements of the Federal Government are such as to leave little of the surplus saving available for private sector borrowing. Unless the projected levels of fiscal deficits over the next two to three years can be reduced, only a very large expansion in private saving would prevent serious crowding out and a continuation of the present high rates of interest.

Assume now that the fiscal deficit is accompanied by an accommodating monetary policy. In this case, unless there are substantial unutilised factors of production and no bottlenecks, the increase in aggregate demand will bring about increases in prices and wages. Over the short run, the increase in money supply may reduce the real rate of interest through so-called liquidity effects. Soon, however, the inflationary pressures will begin to make themselves felt. Consumption will rise at the cost of saving as inflationary psychology prompts individuals to anticipate purchases. The demand for financial assets will fall while that for real assets will rise, leading to a process of disintermediation in the capital market. Imports will expand, leading to a deterioration in the balance of payments. If exchange rates are pegged, there will be a loss in net foreign reserves that will reduce the initial acceleration in money supply growth. With flexible exchange rates, the rate will depreciate adding further to the domestic inflation rate. Generally, high budgetary deficits accompanied by an accommodating monetary policy tend to aggravate inflation.

Unsustainable Situation

Although such a policy could, for a while, keep unemployment down, this is not a sustainable situation as this policy will continue to aggravate inflation. As experience has shown, once a higher rate of inflation becomes embedded in price and wage expectations, it is difficult and costly to reduce it to more acceptable levels. But even if the decision is made to live with a higher rate of inflation, as some countries have done, there will be increasing costs to the economy as the economy will be subject to progressively more severe distortions. These will affect the efficiency with which resources are allocated, thus reducing its productive potential. Serious inequities in the economy will emerge, with their attendant political costs and social turmoil. It is, perhaps, no coincidence that, as Schumpeter once remarked, all revolutions were preceded by inflation. The growth potential of the economy will also be impaired, as a policy of monetary ease will often reduce after-tax real returns to financial investments, thereby tending to depress savings that, in turn, constrain investment. At the same time, the quality of investment will suffer, as its composition shifts toward projects that are less productive from an economic point of view, but more rewarding for speculators.

Such costs of inflation can well be aggravated by the tax system. With progressive taxation, tax burdens rise in an uneven and distortionary manner affecting economic behaviour and resource allocation. In one particular country, with galloping inflation, an originally intended marginal tax rate of 60 per cent on the highest income brackets became an average effective rate of 60 per cent on most workers' incomes, leading to industrial strife with serious consequences for output. Effective tax rates on real interest income may easily exceed 100 per cent. Taxable profits will be distorted. Wage earners may start demanding higher compensation to compensate them for the tax-push. Savers may reduce their savings or channel them toward real goods. Investment is distorted in the direction of such investments as housing, which often receive preferential tax treatment.

High and sustained inflation brings about strong demands for indexation to alleviate the plain of inflation. However, indexation is never comprehensive. Furthermore, indexation can seriously impede the fight against inflation and become an obstacle toward stability.

Inefficient Instrument

For example, where wages escalate automatically with the consumer price index, deterioration in the terms of trade that raises the consumer price index will be prevented by indexation from reducing real wages. Yet to the extent the economy as a whole is now poorer, real wages should share in the burden. Therefore, with inflation and indexation, the exchange rate becomes a far less efficient instrument of economic policy. Moreover, as inflation erodes the traditional functions performed by money, the economy will suffer sizable efficiency costs. For instance, with prices changing frequently, their essential signalling functions in a market context will be impaired.

As an alternative to borrwoing from the central bank or the domestic private sector, Governments could, and some do, borrow abroad. Such borrowings could be undertaken directly or, where domestic capital markets are well integrated with those abroad, as is true for many industrial countries, through the induction of foreign capital flows. Unlike inflationary financing, borrowing abroad has the advantage of protecting the foreing exchange position, although at times it keeps the exchange rate artificially high. Moreover, it limits the degree to which the domestic private sector is crowded out as the country supplements limited domestic resources with foreign ones.

Nevertheless, foreign borrowing ha
be approached with caution. If the
nomy is near full employment, for
financing of the deficit can increase
flationary pressures on the domestic
nomy, particularly on the non-tradea
sector, with the attendant problems
inflation noted earlier. Persistent
course to foreign borrowing will a
generate an acceleration in debt serv
payments. But, of course, if the borr
ing is strictly for productive investmen
the larger future debt can be more eas
financed by a larger economy. Unf
tunately in recent years foreign borro
ing has often been used to finance c
rent and/or unproductive expenditur
Eventually, if foreign financing a
levels of international indebtedness a
high, they may thereaten external co
fidence in the country especially wh
the borrowing finances unproductive e
penditure. In this case borrowing ca
become expensive indeed, thus renderi
the cost of real investment prohibitiv
and impairing the growth potential
the economy.

Prevalent Practice

The evidence indicates that the prac
tice of foreign borrowing to financ
budget deficits has become more preva
lent since the mid-1970s along with th
rapid expansion of international finan
cial markets, as both industrial and deve
loping countries experienced significantl
larger deficits. During the latter part o
the 1970s, it has been estimated tha
foreign deficit finance comprised abou
one sixth of industrial countries' budge
deficits and one third of developin
countries'. If borrowing by public enterprises could be accounted for, these percentages would be much larger.

Before leaving this discussion of foreing financing of fiscal deficits, I would like to place this issue in its proper perspective. In recent years a few countries, and especially those of the OPEC group, have generated savings which exceeded their immediate absorptive capacities. These savings have been recycled to deficit countries. Recently, this pool of international savings has shrunk a lot, thus reducing the possibility of financing fiscal deficits in this manner. That ool, however, is still large enough to ccommodate the needs of many small eveloping countries. Yet, it would be oo small to finance the large deficits procted for the United States and for other dustrial countries over the next couple years. To the extent that real interest tes in the United States remain very gh, some of these surplus funds will be tracted to this country and could make me small contribution to the financing its fiscal deficit. In the process, hower. the countries with the greatest need r capital would face much stronger mpetition and higher interest rates. om this perspective, what happens to e deficits of large countries does have plications for poor countries.

Damaging Consequences

The present economic conditions for ny countries have created and enonment where the consequences of ving high and sustained budgetary icits can be extremely damaging. Some the adverse consequences have been nessed in the latter 1970s. However, ferently from the mid-1970, there is w a more general recognition of the iousness of the situation and, thus, a re systematic & widespread pursuit of rective monetary policies, especially he industrial countries. Unfortunately, the time being at least, this corrective netary policy is going hand in hand h a fiscal policy that, in results if in intentions, is often highly expannary. As a consequence, in some ntries, real interest rates have reachnistoric high levels, reversing the preent pattern of low or even negative interest rates in the 1970s. The prelevel of interest rates has created ssures from many quarters to reverse present course of monetary policy ne belief that an easier monetary policy ld reduce them. In my judgment, a reversal would be a mistake as ould perpetuate into the decade of 1980s the unrealistic and dangerous cies of the 1970s. What countries at the moment is the stamina to go extra mile toward a more durable tion to the current economic malaise. we must recognise that monetary cy alone cannot bear the full brunt of the adjustment. As long as countries pursue lax fiscal policies, it will be very difficult for them to get back onto a path of sustainable growth.

In any event, given the present and persistent size of fiscal deficits, the freedom of governments to use fiscal policy in a counter-cylical sense has virtually disappeared. They should attempt to regain that freedom by pursuing policies that reduce fiscal deficits. As fiscal policy becomes more sound, the negative effects of the restrictive monetary policy will fade away and countries will hopefully be once again able to enjoy growth without inflation. But this cannot be done in a day, especially at a time of very high unemployment. Perseverance and courage will be required to deal with the fiscal problem. Two points need to be made. First, each country will have to solve the problem in its own way considering its own situation and priorities. Second, the solution will take time and political courage. The main factor will be to hold to a steady course toward fiscal soundness. Stop and go policies will not do.

Long Run Solution

The long-run solution will require, *inter alia*, that (a) public employment be limited to the manpower needed to run the government apparatus in an efficient manner; (b) prices of public services be adjusted to cover costs; (c) subsidies to inefficient enterprises without future prospects should not be allowed to continue indefinitely; (d) transfer payments be made more selective; (e) unemployment compensation should be designed so as to minimize the incentives to remain unemployed; (f) public investments be justified by criteria of efficiency; and (g) social security payments and other benefits should be kept at realistic levels and incentives to early retirement should be removed.

The scope for raising taxes to curb fiscal deficits appears now limited for many countries. It would be unrealistic to expect that the large fiscal deficits experienced by many countries could, in all cases, be eliminated by further tax increases. Even in those countries where taxes are still relatively low, and some increases would appear possible, there are often limits of a political nature. However, given these limits, and until expenditures can be cut, it may still be a wiser course of action in some cases to raise taxes—focussing on those taxes with the least disincentive effects—than to live with high deficits.

Supply-Side Economics

It must be kept in mind that the basic message of supply-side economics concerns *marginal* tax rates rather than *average* tax burdens as it has often been mistakenly assumed. Therefore, the message of supply-side economics may still be heeded if high marginal tax rates are reduced while tax bases are widened, or indirect taxes are increased, so that total revenue is not affected or is at times even increased. And, for sure, prudence requires that tax reforms aimed at reducing total revenue be accompanied by cuts in public expenditures. On the other hand, reforms aimed at changing the *structure* rather than the level of taxes need not wait for a solution to the problem of fiscal imbalances. There is a pressing need in most countries for a rationalisation of tax structures especially in areas which hamper efficient production, contribute to inflationary pressures, and promote underground economic activities.

I have referred to the acute and persistent fiscal imbalances currently afflicting much of the industrial and developing world, and the serious economic and financial consequences that are being engendered by such deficits. We, in the IMF, experience these problems at first hand in our work with our member countries. Indeed, we find that in countries experiencing balance of payments difficulties, fiscal problems are often the root cause and that success in promoting the desired adjustment is contingent upon a successful resolution of the fiscal deficit. However, this is easier said than done, given the central redistributive role of the government and the delicate balancing act that any budget involves between the interests of different groups in society.

Nevertheless, Governments must look ahead beyond the immediate needs when framing budgets and, in particular, must attempt to avoid deleterious longer-term implications. The fiscal problems currently encountered have largely resulted from ignoring longer-run consequences of budgetary decisions. In many cases the permanent solution cannot involve increasing the already high burden of taxation which, in many countries, would be counterproductive and would often encounter growing taxpayers' resistance. Yet the current economic situation and the unfolding recession may lead to immediate future increases in the fiscal deficit. It is imperative, therefore, to begin to take the sort of steps that I have suggested.

Paramount Need

The need to restructure fiscal systems so as to reverse their present deleterious effects on growth and the efficiency of the economy is paramount. At the same time, in restructuring budgets, account must be taken of new realities such as the decline in productivity growth and the need to renovate the capital stock. There is little doubt that meeting these needs will define the basic agenda for fiscal reform in the 1980s. It will take time to overhaul existing fiscal mechanisms. During this process, it is imperative to resist demands for more expansionary fiscal and monetary policies to reduce structural unemployment, as this can only be a temporary palliative and would, over the longer run, simple aggravate stagflation.

The appropriate response in order to create the new jobs needed is to promote the necessary restructuring of the economy. Government can assist in this process by loosening the restraints on aggregate supply, especially those resulting from excessive Government interference and by holding to a steady and prudent policy. As long as policymakers keep shifting between inflation and unemployment as the main economic objective, we will fail to achieve a permanent economic recovery.

The measures that are needed to address the fiscal problems facing so many countries today depend, of course, upon the particular circumstances and situation in each individual country. Different countries would want to follow different policies toward economic recovery but, to be effective and successful, they must have at least one element in common: policies pursued at the national level must be *internationally cooperative*. In essence, this means taking the interest of other countries into account and contributing to the working of the international adjustment process.

The industrial countries must also resist pressures to reduce their external economic assistance. This is sometimes suggested as one way of reducing fiscal deficits. But ODA is a still very small part of most countries' budgets. Governments must also keep in mind the wider and longer term implications of aid cuts for the investment and growth prospects of the developing countries.

I would like to conclude by expressing my understanding of the pressures to which national policymakers are subject, particularly in these more trying times. Because of these pressures the temptation will be strong to increase spending in order to bring imme
alleviation to social and economic p
lems. Yet, it is imperative to restrain
growth in government expenditure
the recovery of the international
nomy is to be sustained.

In the final analysis, the difficult
that, taken one by one, each of the m
pressures for increasing budgetary
penditures seems reasonable. But i
vital that governments do not lose si
of the overall limits to expenditu
What is the point of seeking to sat
each individual claim when, in doing
the wellbeing of the whole economy
endangered? The ability to take pro
account of the medium and long-ra
effect of political decisions has alw
been the best measure of a governmen
sense of responsibility and determinati
As a French author wrote more th
160 years ago: principles never chan
Never make promises you cannot ke
and keep the promises you make. The
in lies the secret When that rule is f
lowed, confidence in a country will
unshakeable

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Dyestuffs and the Budget

T. T. Vijayaraghavan

IE DYESTUFFS industry, especially the ganised sector of it, has reason to be ry much satisfied with the Central dget. This is on two grounds. One the increase in import duty on dye- uffs. This would naturally facilitate tter utilisation of indigenous capacity. ie other, and this is more important, the restructuring of the excise duty.

The organised sector of the dyestuffs dustry has all along been subject to a gh excise duty of 31.5 per cent. How- er, under the Excise Concession Scheme vering 72 commodities including estuffs, the small-scale sector had been joying benefits for quite sometime.

The selective scheme of excise exemp- on to the small-scale sector was further eralised in the budget for the year 81-82. Under this scheme small-scale its were completely exempted from cise duty on their first Rs 7.50 lakhs of tput against the previous limit of five kh rupees and on the remaining output e rate of duty was fixed at 75 per cent the effective rate of excise duty.

Disproportional Benefit

The point to note is that in respect of oducts in which the economies of scale e not predominant and the excise ty is high, the benefit available to the all sector is likely to be dispropor- nate. In fact this concession can be burden on society as the corresponding vantage is not available in terms of nployment or is negatived by the lure of the small-scale sector in ex- rts. The dyestuffs industry typifies is dilemma. Here the capital per orker employed in respect of the more mmon varieties of dyes is not high. urther the technology used is fairly ementary. With the high cost of raw aterials, the value added in manufac- g, whether in a small or large enter- rise, is not too high. Consequently, the fference in the cost of production of all and large units is not big.

In this context the levy of a high cise duty on the organised sector while empting the small units from excise duty was obviously irrational and inequitable. An expert committee appointed under Dr B.D. Tilak some years ago reviewed the excise exemption scheme and pointed out that the excise duty was detrimental to the interests of the dyestuffs industry. In order to avoid the burden of excise duty many establishments resorted to fragmentation. The output was divided up in many units and marketed under the auspices of different firms.

Serious Hazards

A recent study conducted by the Economic & Scientific Research Foundation, New Delhi (*Social Cost of Incentives—A Case Study of Dyestuffs* : By S.K. Tulsi—Kunj Publishing House, Delhi 6) has buttressed the committee's observations. The study was based on a survey of the small dyestuffs units located in Ahmedabad, Baroda, Surat and Vapi in Gujarat apart from Bombay. The mushroom growth of small units consequent on fragmentation, it points out, has created serious hazards and has become an active instrument for tax avoidance defeating the purpose of public policy. It has thus, resulted in "fictitious decentralisation" rather than widening the entrepreneurial base. The objective of providing greater employment opportunities has also not been achieved. While the number of units has increased by nearly 80 per cent, the employment produced by the small units has gone up by only 21.7 per cent in three years. Even this might have been offset by reduction of employment in the organised sector where production declined sharply. More disconcerting is the fact that there has been a fall in exports by the organised sector, something which the country can ill afford in view of the severe strain on the balance of payments position and consequent loss of potential earnings to the exchequer.

All this would naturally question the validity and the correctness of a policy of blanket exemption from excise duty given to small units. The 1982-83 Budget has, therefore, done well in modifying the excise duty scheme. Under the scheme announced, small manufacturers whose clearance does not exceed rupees one lakh per annum, will be exempt from excise duty. In the case of other small manufacturers, clearances upto Rs 15 lakhs will be subject to 50 per cent of the duty applicable to the organised sector. Reacting favourably to the budget proposals, the equity quotations of the companies engaged in the manufacture of dyestuffs moved up in the stock market. Substantial gains were reported by the companies like Indian Dyestuff, Colour-Chem, Amar Dye-Chem and Atul.

A section of the small-scale sector of the industry has, however, expressed the fear that the withdrawal of the excise exemption would lead to the closure of a large number of small units and render thousands of workers unemployed.

Baseless Fears

According to Mr N.S. Johary, Chairman of Dyestuffs Committee of the Indian Chemical Manufacturers Association, these fears are baseless. On the contrary the new scheme would be beneficial to *bona fide* small and medium units even as it would reverse the declinging trends in production and exports. It must be mentioned that by exempting the small units completely from excise duty, not only is revenue lost, but equally important, a valuable source of information about the level of output, profitability and prices in different units is also lost. The study, referred to earlier, therefore, rightly points out that for extending necessary incentives for the development of small units, an alternative strategy is called for, as for instance, a capital subsidy on the same lines as given for industries that are set up in notified backward areas so that the progress of the large scale sector is not impaired. The object should be that the total benefit available to small sector should be ascertainable and also made to accrue to it in practice.

Economic Analysis

Crisis in International Cooperation-II

Dr I. G. Patel

THAT THERE has been considerable backtracking in regard to international economic cooperation particularly during the last few years is by now abundantly clear. It is not necessary for me before an audience like this to go into details. But let me just list some of the major developments to illustrate my point:

(a) The UN strategy for the Sixties and the Seventies did excite some interest. But the strategy for the current third development decade which has been duly drawn up and adopted is hardly taken seriously by any one; and practically all UN specialised agencies and the UNDP are now suffering from extreme stringency of resources.

(b) After the failure of the Paris Conclave and the virtual disregard of the much-trumpeted Brandt Commission's eminently sensible recommendations, all talk of a serious North-South dialogue in any forum has an all but illusory air.

(c) All the hard work and subtle bargaining over the years on the Law of the Sea has led to nothing and may even have strengthened the resolve of the rich to preserve the untapped resources of the world for the industrially advanced nations who have already monopolised or nearly so the resources already tapped for most of the past two centuries and more.

(d) For the most important country in the world, it is now obvious to all that even historically unique events like the Cancun Summit are only occasions to be somhow got over with.

(e) After two decades of active canvassing and even growing lip-service in some quaters, we are barely halfway to reaching the UN target of 0.7 per cent of GNP of the industrially advanced countries for concessional or official development assistance; and in fact this percentage has declined let alone from the very high lead reached during the Marshall Plan but even from the 0.53 per cent reached in 1961 to 0.37 per cent in 1980. In fact, no one, not even the World Bank, takes this particular UN target seriously any more.

(f) In the case of the OECD countries, the proportion of their bilateral official development assistance going to the low income countries has actually declined from about 40 per cent in 1965 to a little over one-third in 1970 and further to less than one-third by 1975 and about one-fourth of the total in 1979.

(g) If there was any hope that the socialist countries will seriously share the burden of helping the developing world through international agencies, these have now been all but forgotten as it has become clear that those socialist countries which are anxious to join or have joined the international organisations have done so for what they can get from these agencies and not for what they can contribute.

(h) The commitment of the suplus OPEC countries to assisting other countries seriously affected by the oil price rise has become increasingly more selective and somewhat less generous in the aggregate than before. Thus official development assistance by OPEC countries which amounted to 2.59 per cent of the donor GNPs in 1975 declined to 1.36 per cent by 1980; and the distribution of this aid leaves much to be desired if judged by strict economic criteria.

(i) It would be difficult to argue that despite all the gatherings at Arusha and Havana and Caracas and New Delhi, the cause of greater economic cooperation among developing countries has made much headway.

(j) In the current acute phase of unemployment and current account deficits for most if not all industrially advanced countries, the danger of increasing protection against exports of manufactures from newly industrialising countries has become all too real.

(k) In important countries, notably the US, the earlier pragmatic approach to economic policy at home and abroad has been replaced by a strident and simplistic belief in the magic of the market place. This belief has assumed almost fundamentalist dimensions; and this approach is sought to be imposed with almost religious zeal on international institutions despite the clear injunctions in their articles of agreement that they will not seek to impose any particular social, economic or political ideology on any member.

(1) There is open and unabashed talk as well as pressures for denying World Bank or IDA aid to public sector projects, particularly for the development of national oil resources and indeed for generally curtailing the scope of all public sector activity whether in the economic or the social sphere. Even the international institutions are falling in line by identifying supply-oriented adjustment policies almost exclusively with the removal of so-called rigidities; and this in turn is defined almost exclusively as reducing the role of the Government

and of organised labour unions in every way. One should have thought that supply-oriented policies would emphasise higher investment as well as greater productivity without any presumptions as to what might promote the latter in specific circumstances. While there may be a case for reducing the role of the Government here and there and for reducing subsidies or curbing excessive wage indexation or union power, these are complex and delicate issues where extreme attitudes are hardly in order.

All civilized societies are based on the principle of cross-subsidisation without which neither social harmony nor cultural and economic progress of the masses would be possible. And while trade union bargaining and wage indexation can be carried too far, there is as much reason, when inflation is a reality, to insist on maintaining real wages at least at the lower level as there is for maintaining positive real rates of interest. The only exception would be when there are irreversible adverse trends like a deterioration in terms of trade that is likely to last. But even then, surely, the necessary and inevitable cut in living standards should be taken not only by wage-earners and salary-earners but also by those who live on interest income or on profits. Similarly, while private capital flows are needed and may have to be encouraged, they cannot be made to ride on the backs of international institutions. Sovereign nations like to deal with private investors, domestic or foreign, on purely business terms as partners in mutual benefit and not as masters who have to be accepted at anyone else's bidding.

(m) There is a growing suspicion among the industrially powerful nations of international bureaucracy which is being accused of being soft-headed and not firm enough in pursuing hard, if not harsh, programmes of adjustment. The result is that the IMF, for example, is once again insisting on the kind of conditionality which threatens to make much of its current lending inactive in practice. It is no one's contention, I an sure, that appropriate conditionality is neither necessary nor desirable. But it is appropriate in a medium-term programme of adjustment to insist on quarterly credit ceilings when everyone knows how much noise there is in quarterly data? Is it appropriate in any case to take the extreme step of suspansion of loan disbursements when these quarterly ceilings are somewhat transgressed ? And should not programmes be judged as a whole rather than each single point being insisted upon as a breaking point ? If rich sovereign Governments have practical limitations in pursuing appropriate policies—as is now abundantly clear from their current experience—is it realistic to expect perfection in all respects from the poor who also have to contend with public opinion and pressure groups ? The point is not that progress towards appropriate policies should not be made. But you cannot tie down nations on every count and consider failure on any point as reason to suspend support. This kind of continuing uncertainty regarding the actual availability of funds already promised is hardly conducive to any serious adjustment policies being consistently followed. I am afraid the staff of the Bank and the Fund, which has normally been sensitive to such concerns, is now under threat of being pressurised into unwarranted rigidity out of fear of losing support of the dominant members.

(n) The new fundamentalism has already taken a heavy toll in frustrating and reversing some of the most desirable new initiatives of recent years. Thus the creation of SDRs has been stopped from this year, and there is reason to think that the richer countries, after ensuring improvement in the characteristics of the SDR at the cost of low income countries, are no longer interested in making SDRs the principal international reserve asset. In fact, the current regime of several key national currencies serving as international reserve assets suits their needs well and there is no concern for the plight of those who cannot create reserves for themselves by running deficits. The principle that the poorer Fund members in acute difficulties might need an interest subsidy at a time when interest rates are unduly high both in nominal and real terms has been unceremoniously buried; and there is resistance not only to lending money to the Fund but to the Fund borrowing more from those who are willing to lend more by refusing to share with them the power of decision-making. We have the curious spectacle of countries already powerful wishing to propound as it were a new principle of low taxation and high representation for themselves and high taxation and low representation for others.

(o) On its IDA commitments, the US has been dragging its feet for some time now. But it is for the first time that it has actually reneged on a commitment already made and served notice for further sharp cuts during the seventh replenishment. In plain language, a programme for the liquidation of a vital institution has been all but launched with all solemnity and with the aid of much dubious logic and rhetoric. It has been said, for example, that the US believes in assisting development but not in redistributing wealth with zero returns as if anybody had ever seriously demonstrated that the World Bank or the IDA were simply give-away programmes with no enduring and worthwhile results to show in terms of actual development. The evidence in fact is abundantly to the contrary.

(p) A far-reaching and fundamental onslaught on international economic cooperation as we have known it has been launched at a time when the cold war is again heating up. Without apportioning blame, it can be legitimately said that for many developing countries this increasing friction between the super-powers has meant much larger defence burdens at a time when the second oil price rise, low commodity prices, huge external debts, high interest rates at home and abroad and low demand for their products from depressed external markets had already raised almost insuperable obstacles in the path of their development. Even internally, as the example of Iran and many other countries has clearly shown, the stresses and strains arising from the very success of the modernisation process in societies with strongly entrenched pre-industrial cultures can reach a breaking point; and he would be a bold man who can assert that such convulsions are not likely to consume a large part of the developing world at one time or the other in the near future.

What all this adds up to is a pretty sombre picture necessitating more imaginative cooperative as well as purely national endeavours. What we find instead is a retreat from shared responsibility and adherence to a philosophy which takes us back even before the days of laissez-faire to a policy of what I can only describe as a kind of vindictiveness towards what are considered to be recalcitrant segments of society combined with an aggressive attack on anything which goes beyond a narrowly commercial ethic. It is not an accident that a less compassionate policy at home and a so-called hard-headed approach abroad have been revived at the same time. The idealism born out of adversity during the Second World War seems to have spent itself; and a new arrogance and indifference born out of plenty seems to be on the ascendant. There is little wonder that apprehensions about a new global holocaust are much greater now than at any time since the end of the Second World War.

Thus, according to the new ideologues, trade unions have to be won over to a path of reasonableness not by developing a sense of consensus which is what incomes policy is all about, but by teaching them a lesson through unemployment. No one stops to wonder whether the bitterness so created will bteak out into even more irresponsible or anti-social behaviour once levels of employment and activity begin to rise. Unless one is reconciled to live with 9 or 10 per cent unemployment—and no industrialised society can so live for long in harmony—the present policy in many countries is foredoomed to failure. And it is an irony of our time that those who rightly attribute the miraculous success of Japan to its high national sense of harmony and consensus with a willingness to look after the legitimate interests of all as a precondition for loyalty are often the advocates at home of a kind of harshness in the name of realism which cannot but be divisive and disruptive. It is possible to argue that some curbing of the excesses of welfare policies was necessary. But there is a difference between changing the gears somewhat and taking a complete U-turn.

Perhaps the picture I have painted is overdrawn and there are signs of strength as well as weakness in the present world seenc. Thus, if concessional aid flows have not risen and even moved in a perverse direction, private capital flows have increased substantially and many more countries can now take advantage of the same to a greater degree. If the will to cooperate is weakning in some countries, it is certainly increasing in others, notably in Japan. Internal contradictions are already forcing even the ideologues to revise their views already in some respects—such as the underplaying of the damage caused by budget deficits—which underplaying may be mistaken but it represents at least a quick change which might trigger a similar change in more desirable directions. Many among the developing countries, including Malaysia and India, are now better able to withstand shocks and stresses and strains precisely because of the strength already gained; and with the growing polarisation of economic power among nations, one has to accept that the structure of international economic cooperation is bound to undergo some change. I think that there is substance in all these propositions. But they are not arguments for inaction, but only arguments against despair. And I certainly share the hope and belief that if we go about it properly, we can minimise the dangers to international economic cooperation and even reverse the tide sooner rather than later.

What then is the correct strategy for dealing with the current malaise? I have no exhaustive remedy to offer much less some simple fail-safe solution. But certain elements of what needs to be done can perhaps be outlined.

I think the first thing that we in the South need to recognise is that the paramount need at present is to reduce the level of noise and rancour in international debates on North-South relations. Certainly, we should keep all avenues of talks open and keep pressing our point of view. But there is danger that we might be tempted to answer arrogance by arrogance and even worse by ridicule and to score debating points but sour international relations even more in the process. I am not suggesting that the meek always inherit the earth. But these are times for quiet and patient diplomacy, for using persuasive arguments couched in modest language, preferably in small groups and even at individual levels rather than for emotional harangues at large international gatherings where people generally listen only to their own voices. A certain economy in encounters and sophisticated selectivity in arguments may well succeed where confrontational or smart diatribes will certainly not.

A corollary of what I have just said is that we should give up at least for the time being the cafeteria approach of listing a whole long list or charter of demands and select instead a few areas where there is imminent danger of reversal or where there is a reasonable chance of success in the near future. All of us may not agree what these areas are and we should meet in our forums such as the G-24 or the G-77 and take counsel with each other on what is most important for the present. Illustratively at least, I would urge that preserving and enlarging the strength, vitality and independence and objectivity of the international institutions already in place, particularly of the Bretton Woods twins,should receive the highest priority. It may also be easier to get greater support for the IFAD or the WFP.

On a bilateral basis, given intense diplomatic effort on the part of all of us, it is quite possible that what we may lose on the swings in the US and perhaps the UK for the time being could be more than regained on the round-abouts of Japan, France, Scandinavia, Germany and perhaps even Italy—not to mention the surplus OPEC countries. Per contra, the suggestion such as the one in the Brandt Commission report for the creation of an altogether new institution for development finance is a virtual non-starter at present and there is no point in flogging it. I would personally list the idea of a link between SDR creation and development finance in the same category.

If I am right in my approach, a heavy responsibility rests on the present managements of our international institutions. They will have to show considerable courage in resisting undue pressures as well as great ingenuity in persuading all towards a moderate position which can command the highest denominator of support from all concerned. They will have to free themselves from preconceived notions and will have to eschew the natural temptation to discard past practices merely because they are under attack and embark instead upon the uncharted sea of extreme or perfectionist solutions. Some adjustment may be necessary and desirable. and some unavoidable even if not wholly sound. But even as compromises are made, the eye must be on the ball, on the ultimate goal, which is to banish poverty and want from our midst and to make the world a saner and more peaceful place to live in. However hard the times, the leaders of international institutions and indeed statesmen everywhere should not be ashamed of having on occasion misty eyes as they witness the misery of millions of people.

Many thinking persons have lamented that unlike at the time of the first oil crisis there are now few leaders of international stature who can rise to the occasion and are respected enough to command attention. But leaders are often made rather than born; and those who are entrusted with the responsibility or running our international institutions, like those who are at the helm in national affairs, have at least the opportunity to develop into leaders of stature whose words might command increasing, if not universal, respect. But it will not do if they appear to be more and more partisans on the side of the rich and powerful. The name of the game of international cooperation is precisely to regulate international relations on the basis of reason rather than in terms of equations of power with privileges.

I hope I am not misunderstood if I say that we in the developing world also should listen carefully as much as we should insist on being listened to. Wisdom is nobody's monopoly —that is the basis for the democratic faith. And cooperation cannot be all take and no give even when the parties to the bargain have different capacities for shouldering sacrifices. There is one area where this consideration is particularly important, viz., our own restrictive or protectionist policies. We cannot certainly subscribe to the view that, in matters of trade liberalisation, there is no legitimate economic justification for protection and restriction in developing countries, which does not equally apply to industrially advanced countries. But if we want to fight the protectionist trend effectively, we have at least to be prepared to examine seriously whether some of our restrictions cannot be reduced to the mutual benefit of ourselves as well as our richer trading partners.

Similar considerations apply to the import of technology and to some extent at least of capital, not only loan capital but even risk capital. There is a respectable view that the import of capital during the nineteenth century did not prove unduly burdensome to the then developing countries because much of it was risk capital which had to be repaid only if the risk proved to be a wise one. By contrast, practically all the capital developing countries import now comes by way of loans and these have to be serviced and repaid irrespective of the success of the investments. A somewhat better balance in favour of foreign equity, quite apart from being a better vehicle for import of technology, may ease the burden of servicing the total foreign debt—unless of course one surrounds enterprises with foreign equity also with such absolute protection that they cannot but make high profits.

I hope and believe also that there are very few people in the developing countries today who believe that inflation can spur economic development or that inflation can be ultimately curtailed without curtailing central bank financing whether of Government or of financial institutions or of enterprises run by economically weaker sections or otherwise. Nor can we refrain from keeping under constant review our systems of controls, subsidies and Governmental intervention to make sure that they are not evaded and abused and succeed in fact in having results exactly the opposite of those intended. I am not suggesting that this is always so. But we all know that it is often so at least after a time. The short point is that in the present critical period for international cooperation, our own respective national responsibilities are all the greater, and we cannot discharge them adequately by having preconceptions of our own or without firming up our own national resolve.

What is true of redoubling national effort is equally true of putting real determination behind South-South-cooperation or collective self-reliance as it is often called. I am not one of those who believe that the complexities and difficulties of South-South cooperation are significantly less than those in respect of North-South cooperation. At the same time, we should not underestimate the emotional unity that does exist among hitherto exploited nations despite all their differences and I think above all our OPEC friends should not underestimate how resolutely the oil-importing developing countries have stood by their side despite the heavy cost to them of recent oil price rises. Generous as our OPEC friends have been, they can afford to be more so and can certainly becoms somewhat less selective in their generosity. Those of us who need capital imports should also, I think, discard some of our restrictive notions, at least insofar as capital imports from other developing countries are concerned. There is certainly room here for a more active and free and frank dialogue berween oil-importing and oil-exporting developing countries and one hopes there is statesmanship enough in these countries to make such a dialogue more fruitful than the North-South dialogue at Cancun or anywhere else.

On a broader scale or canvas, i.e., among all developing countries also, it should not be difficult to select a few areas where progress in South-South cooperation is possible and concentrate efforts in the short-run on them. I myself feel that a system of global tariff preferences among developing countries and greater cooperation among their state trading organisations as well as a more liberal approach to invisible exchanges i.e., exchanges by way of tourism, shipping and the like offer good scope for speedy and satisfactory agreements. If agreement even here is not possible globally, we should start by agreement on a regional basis and keep such regional arrangements—existing as well as new—openended in the sense that others can join them as and when they are ready and only on a selective basis if they so choose. Nothing succeeds like success, and we need more signs of concrete achievement even on a limited scale rather than interminable discussions on a whole array of ideas which would facilitate agreement in drafting communiques, but very little else.

I remain wedded to the view—which perhaps I acquired during my UNDP days—that we have not even scratched the surface of the possibility of technical cooperation among developing countries. Indeed I consider such cooperation even more rewarding than North-South co-operation in technical matters. Perhaps we need to look at our respective income-tax laws and visa regulations or remittance policies to see if there are not unnecessary barriers to TCDC which we can all remove to common advantage.

In fact, if I may digress for a moment, the potential for labour migration—whether long-term or short-term—as an effective engine of world economic development is so great in my opinion that we need more discussion in all forums—international, regional or bilateral—to see whether something cannot be done to facilitate this process. An internationally run pension or provident fund scheme to which employers of migrant labour can contribute with the employees carrying these contributions from one job or country to another without suffering as a result of any interruptions for work in the mother country and some simpler income-tax rules in respect of such benefits irrespective of where they are ultimately enjoyed can, for example, be of immense help in spurring TCDC as well as North-South technical cooperation; and some thought needs to be devoted to this and similar ideas.

There is another important area of cooperation to which we in the South cannot afford to remain indifferent. I am referring to North-North cooperation. So many of the ills from which we suffer today, for example, such as the incidence of high and volatile interest rates, exchange rate instability and low or negative rates of growth in our most important markets, can only be cured by greater cooperation among the industrially advanced countries themselves. But North-North cooperation is also somewhat paralysed at present by the current philosophy of non-interference with the market. Surely, there is some difference between leaving some things generally alone and declaring them totally untouchable.

There is, I think, a growing feeling now that some coordinated intervention in foreign exchange markets would be beneficial without introducing long-term distortions. The same, I think, is true of interest rate policy as well as of other internal demand management policies. More and more persons now perceive the present high interest rates as inimical to growth and efficiency in the long-run and certainly continuance of the present high levels of unemployment as socially and politically explosive. It will not do—as many central bankers and Finance Ministers seem to be doing for some time—to repeat the mantram that control of inflation must be the highest priority and nothing should be done which would signal a weakening of the will to fight inflation.

The fact of the matter is that both inflation and unemployment, unduly high and volatile rates of interest as well as excessively unstable exchange rates have all got to be fought together in terms of an integrated strategy and not dealt with one by one. If we do not know what such an integrated strategy is, we should be honest enough to say so—central bankers, Finance Ministers and the bureaucrats in the IMF and elsewhere —and retire in sack cloth and ashes. Perhaps that is where the much-vaunted economy in Government expenditure should begin. But I do not think such a defeatist attitude is necessary. It is certainly untenable.

Of one thing at least I am certain that the kind of integrated and coherent approach we would all consider desirable if it were possible would include a much greater degree of cooperation and coordination of policies among the countries of the North. That is why we have to take an active part in North-North controversies at least in international forums and encourage institutions like the IMF to take their role of global surveillance—i.e., surveillance of the rich as well as of the poor and irrespective of whether they are borrowers or creditors—a little more seriously than they have done for some time. Certainly, there would be much greater success towards mental and material equilibrium in the world if the international institutions turn off the heat a bit from the developing countries that need to borrow from them and turn it on instead on those rich nations who are sitting pretty on enormous powder kegs that threaten to blow-up any time.

And finally, when we speak of what we should do to channel North-North cooperation in the right direction, let us not forget the one factor of paramount importance, viz., that we all have a role to play in reducing tensions between the East and the West which are now threatening to assume truly alarming proportions. The non-aligned movement has gained greatly in numerical support and popularity of late in the Third World. But it has at the same time lost a good deal of its sobering influence on the super powers. In part, this is so because we have often fallen easy prey to the blandishment of one or the other super power or have been too anxious to let them fish in our troubled waters.

Be that as it may—and I am certainly not an expert on international political, diplomatic or military matters—there can be little doubt that international economic cooperation cannot thrive in an era of intensified super power rivalries and suspicions. And at least negatively, the less we feed such suspicions and rivalries by our own conduct, the better for all concerned. Surely, a part of the South-South cooperation can and indeed must address itself to this paramount consideration which may be non-economic in itself but which is the basis on which all our hopes for the future rest.

(Concluded)

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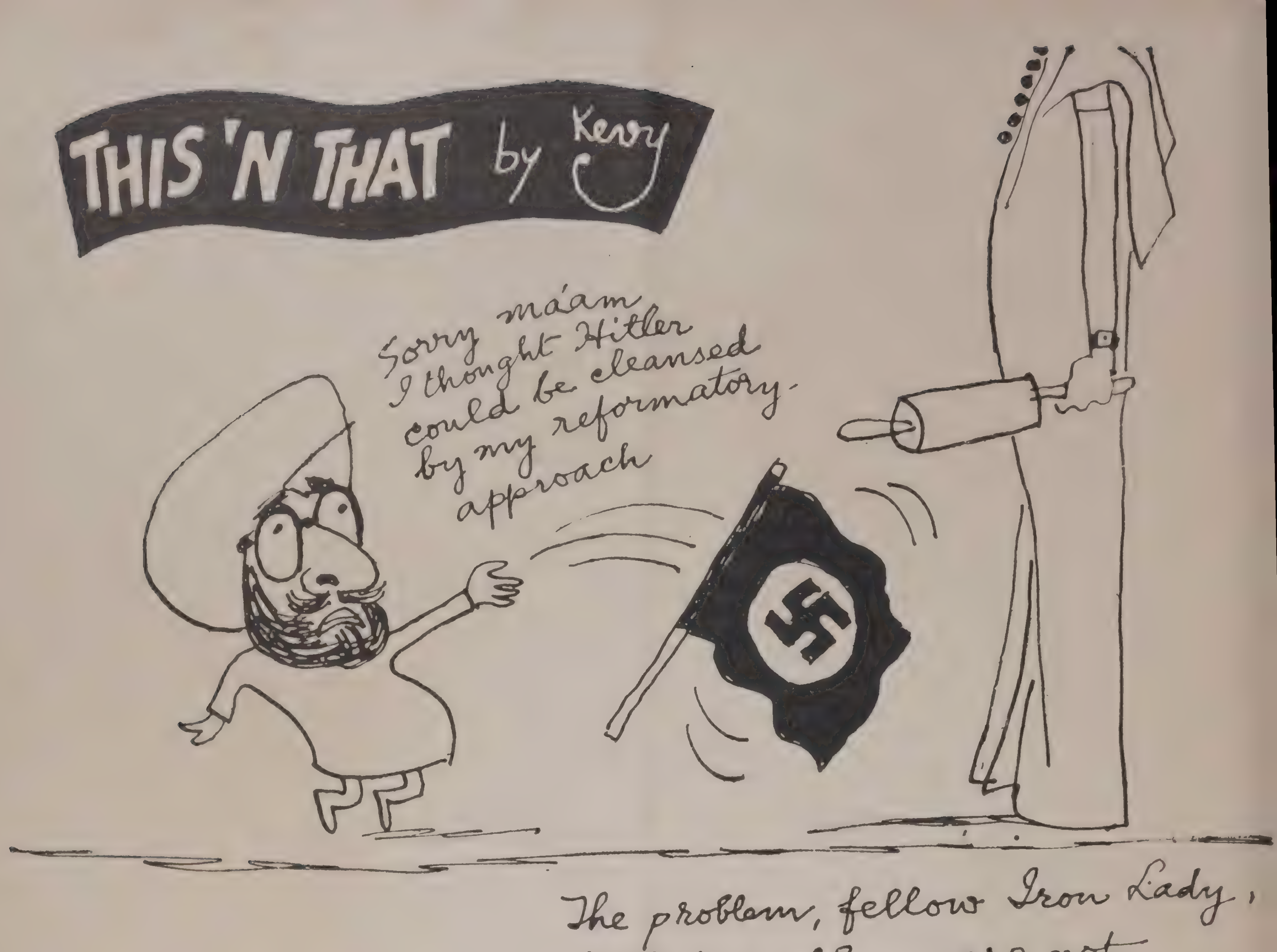
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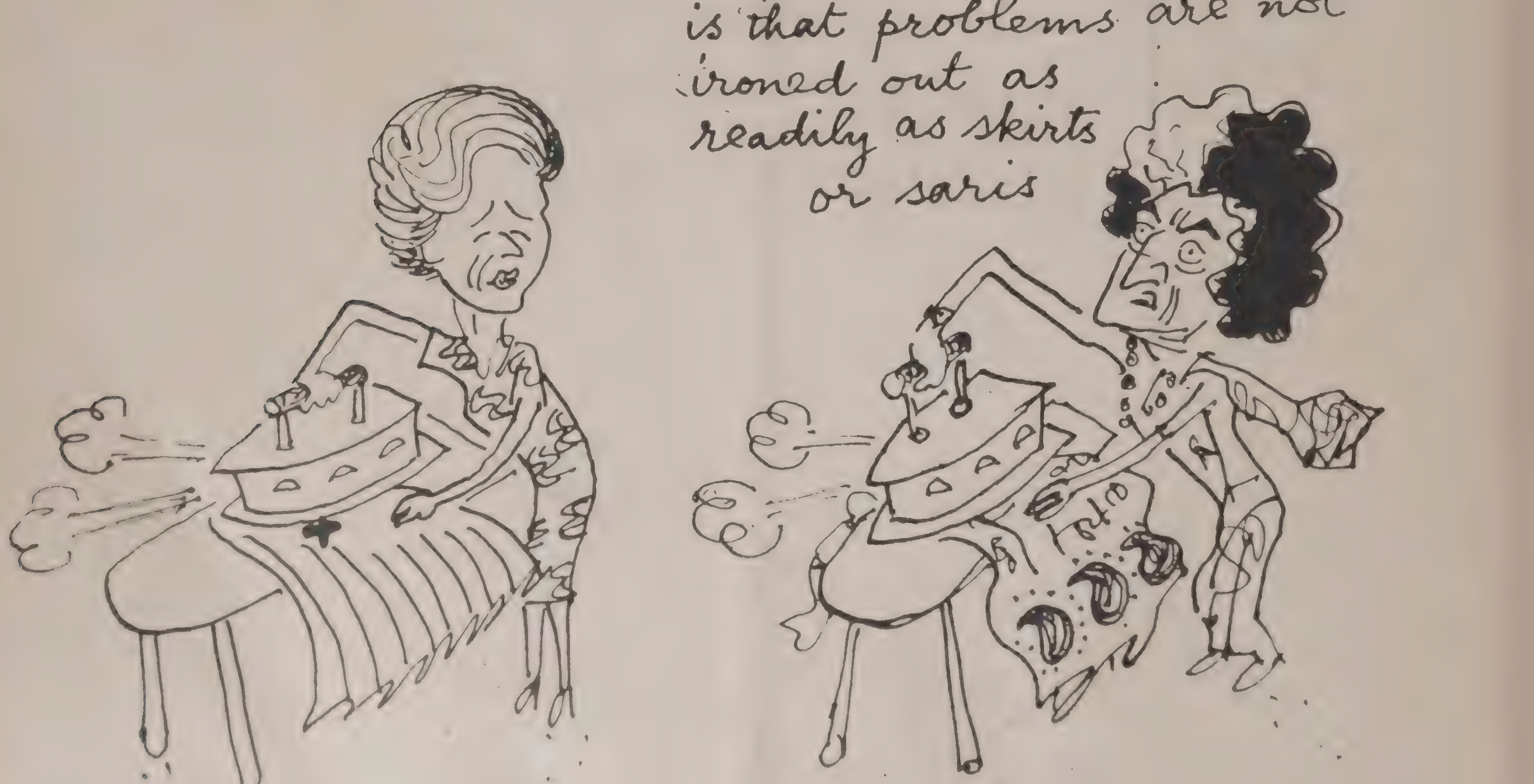
The problem, fellow Iron Lady, is that problems are not ironed out as readily as skirts or saris

Accent on Timely Implementation

is encouraging to note that the Union overnment plans to go all out in set- ng up public sector projects within the t time schedules so that overruns in eir costs, which have been jeopardising eir economic viability to no small ex- nt besides creating distortions in the tire industrial sector, can be obviated. hat such instructions have been issued the economic ministries was evident is week from the sharp observations of e Secretary to the Ministry of Steel, r A.S. Gill, in his address to the in- ugural meeting in New Delhi of the etallurgical equipment division of the ssociation of Indian Engineering Indus- ry. Mr Gill stated that although the digenous manufacturers of equipment nd machinery as well as fabricators ould be fully associated with the put- ng up of the Visakhapatnam integrated eelworks, scrupulous care would be aken to complete the project in 72 onths. Imports would be resorted to case periodical reviews indicated undue elays in supplies from indigenous sources.

Adhering to Schedule

Mr Gill allayed the fears of engineer- ng industry that there was undue em- hasis on importing equipment from col- aborators in Soviet Union. The Vizag roject, he pointed out, would cost round Rs 3,000 crores. Imports from ne Soviet Union were not likely to be orth more than Rs 500/550 crores. redit to the extent of Rs 250/260 crores 250 million roubles) had already been rovided by tne Soviet Union. Another imilar sum might be available during im- lementation. Imports essentially would nclude two blast furnaces and seven etre high coke ovens, both of Soviet esign. It was not proposed to effect nports indiscriminately. Should, how- wer, the indigenous suppliers fail to dhere to delivery schedules, there would e no escape from importing some more quipment or even structurals to bring ne project on stream within the time schedule laid down. The Vizag steel plant, thus, Mr Gill stressed, posed a challenge to the Indian engineering industry for demonstrating its capabilities. The same was the case with the Paradeep steelworks which had also been cleared for implementation with assistance from abroad, added Mr Gill.

Steel Imports

The Steel Secretary as well made a pertinent observation in regard to steel imports during 1982-83. He assured the engineering industry that the supply of steel would be kept easy and the necessary imports would be arranged well in time. The Iron and Steel Controller, Mr Gill added, would play a crucial role in steel import planning, though imports would be canalised through the Steel Authority of India. This was being done to obviate the SAIL to go slow on imports in the interest of the sale of its own products.

Mr Gill revealed that the Government had set up a working group to assess the requirements of steel by 2,000 AD. The likely demand pattern would be studied to assist the drawing up of development needs. The report of the group is likely to be available by the end of this year so that the future steel development plans can be thought of realistically. Mr Gill felt that there was a definite place for mini plants in steel industry. The country also had to keep itself abreast of global developments in metallurgy. India, therefore, he said, was keenly interested in Swedish technology as well as use of sponge iron for making steel. He emphasised the need for greater R&D effort within the country so that technological subservience could be ended.

The indigenous supply of steel as also of pig iron, Mr Gill felt, would go up significantly in the near future. Yet imports of some categories of steel and pig iron would have to be continued to meet the growing requirements. Surplus products would be exported.

The Chairman of the metallurgical equipment division of AIEI, Mr P. Sen, in his address stressed the need for additional allocation of resources for proper and adequate development of steel industry not only for meeting the domestic requirements but also for generating surplus for exports. He feared that steel shortage would continue to the extent of about two million tonnes per annum even during the next ten years. He wanted close association of the engineering industry with the steel development programme to avoid unnecessary imports. The engineering industry, he stated, had successfully participated on a fairly large scale in the modernisation programme of TISCO and the implementation of the Kudremukh Iron Ore project. This division, he said, would shortly prepare a directory-cum-buyers' guide of manufacturers of metallurgical equipment, the first such documentation in the country. The other goals which his division had set for itself were motivating of domeetic manufacturers to upgrade their technology for facing international competition and realistically understanding the requirements of end-users of their products in the interest of tuning their operations to the specific needs of the economy.

Non-Resident Indians' Investment

GUIDELINES HAVE been issued by the Union Government following the incentives provided in the 1982-83 budget for boosting investments by non-resident Indians. Hitherto these investments were allowed on repatriable basis in the equity shares of new companies in selected industries to the tune of 20 per cent of the paid-up capital. Non-resident Indians have now been allowed to make such investments on repatriable basis upto 40 per cent of the paid-up equity capital of a company.

The list of industries in which investments can be made has also been expanded. The non-resident Indians can now even purchase the shares of the existing companies quoted on stock exchanges—of course, subject to certain conditions.

Another concession as well has been made in regard to these investments. Special facilities for investments by non-resident Indians on repatriable basis were available hitherto only on individual basis. Investments can now be made in non-resident (external) accounts and shares of Indian companies in India by companies, partnership firms, trusts, societies and other corporate bodies where 60 per cent or more of the interest is held by non-resident Indians.

Investments by non-resident Indians on non-repatriable basis would be treated at par with investments by resident Indian nationals except for investments in commercial property and land.

Concessions Provided

A number of concessions have been provided to attract remittances by non-resident Indians otherwise. These include:

(1) New deposits of maturities of one year and above in non-resident (external) accounts will carry interest at a rate two per cent higher than the rate of interest admissible at any time on the domestic bank deposits of comparable maturity.

(2) Non-residents of Indian origin can also make investments in 12 per cent six-year national savings certificates.

(3) Exemption has been provided from income-tax to the interest accruing on the credit balance in a non-resident (external) account held by a non-resident of Indian origin as well as on the interest earned on the 12 per cent six-year national savings certificates. Income-tax exemption was earlier available to only those non-resident Indians who fulfilled the test of a non-resident under the Income-tax Act.

(4) Investments by non-resident Indians have been exempted from wealth and gift taxes. Gifts made in India out of deposits in external accounts will now be free from gift tax. Investments made by non-residents of Indian origin in the 12 per cent six-year national savings certificates will also be free from wealth and gift taxes.

The tests for 'non-residency' under the Income-tax Act have been liberalised as under :

(a) The provision relating to maintenance of a dwelling place in India for 182 days or more, coupled with stay in India for 30 days or more. has been deleted.

(b) Under the existing provisions, persons who have been in India for 365 days or more in the four years preceding the relevant year, become resident in that year by being in India for 60 days or more in that year. In the case of Indian citizens who are employed abroad and who come to India on leave or vacation, the period is 90 days. This benefit has now been extended to the self-employed and those in other occupations, irrespective of their avocation abroad or the nature of their visit to India.

(c) Under the new rules, an Indian citizen who leaves India in any year for the purpose of employment shall not be treated as resident unless he has been in India for 182 days or more in that year as against the existing provision of 60 days.

Remittances and investments by non-resident Indians are to be encouraged to mitigate pressures on the balance of payments. Although these remittances continue to be wholesome, their rate of growth has tended to decelerate in the recent past.

West Bengal's Losing Sector

The Commercial undertakings of the Government of West Bengal continue to make heavy losses. Acording to a statement placed in the Assembly on March 8, the greater Culcatta Milk Supply Scheme had incurred an accumulated loss of over Rs 7.6 crores in 1981-82 compared to Rs. 6.9 crores in the previous year. The Durgapur Milk Scheme had an accumulated loss of Rs. 68.14 lakhs during 1979-80, but in the next year there was an increase to Rs. 70.54 lakhs. The Eggs and Poultry Production-cum-Marketing Centre had suffered a loss of Rs 24 lakhs in the last financial year.

Among the other projects which had shown large losses in 1980-81 were Cinchona Plantation Scheme (Rs 1 crore), the Oriental Gas Company (Rs 1 crore), Sisal Plantation Scheme (Rs 7 lakhs), Mechanised Brick Factory (nearly Rs 4 lakhs) and the Surgical Instruments Servicing Station, Bauripur (Rs 3 lakhs).

The five industrial estates of the Government in and around Culcutta had incurred a total loss of Rs 18.22 lakhs in 1981-82. Only two schemes, namely, the Manual Brick Production Unit and the Tourism Department, worked well, earning a profit of Rs. 17.47 lakhs and Rs 1.18 lakhs, respectively.

Congress Performance

It may be recalled that during the Congress regime also, the performance of the commercial undertakings of the Government of West Bengal had been unsatisfactory. The Left Front Government therefore should have given some special attention to improve their operations. The failure of these projects to show profits connot be explained away by the lack of autonomy or interference by New Delhi. The responsibility for their poor results is entirely that of the State Government. After all, these undertakings do not call for high technology or heavy capital investment. It is difficult to understand why the Greater Calcutta Milk Supply Scheme and the Durgapur Milk Supply Scheme cannot be made viable by proper management. There can also be no justification for the continuous losses incurred by all the industrial estates. Many State Governments have been able to run industrial estates in a competent manner. For example, the Ambattur industrial estate in Tamil Nadu at present accounts for an annual production of goods valued at over Rs 80 crores. The total capital investment in the estate is of the order of Rs 20 crores. In Maharashtra also industrial estates have been able to attract a larger number of entrepreneurs. Why then should West Bengal find it difficult to make a success of its industrial estates?

It is true that in several States working of many Government enterprises has been generally inefficient. Some of the major undertakings of the Central Government have also been operating at a heavy loss for a prolonged period. This is all the more the reason why the Left Front Government should not have remained indifferent to the performance of its commercial undertakings. Five years is certainly a long period to have enabled the Government at least to make a beginning in right earnest in ensuring their proper functioning.

The problem has to be tackled from several angles but mainly by maintaining better discipline and augmenting the supply of power. The labour situation in the State has shown signs of improvement if it is to be judged with reference to the number of strikes, lock-outs, lay-offs, and so on. But what is not reflected in these statistics is the decline in the standards of efficiency in the day-to-day administration which is having an adverse impact even in such a vital sector as hospitals.

Organised Pilferage

Shocking reports have recently appeared in newspapers about the largescale organised pilferage in Government hospitals and the deliberate defiance with impunity of all rules and regulations. The acting Health Minister, Mr Jatin Chakraborty, a few days ago, ordered the superintendents of hospitals to black-list all contractors who supplied food of bad quality. He also asked the police to pull down the tea stalls near the hospitals because they were thriving on the milk, meant for patients, and stolen with the connivance of the employees. The Government has also decided to appoint eight Industrial Relations Officers in hospitals and the Health Transport Organisation. These officers who have experience in handling labour matters are expected to assist the hospital Superintendents in dealing with the grievances of the staff. But will this arrangement work well when inter-union rivalry has been allowed and even encouraged in the management of hospitals?

The better availability of power should also help the Government to improve the working of its undertakings. The State Government has claimed in a recent review that, during the period August to November 1981, the generation from the thermal units in West Bengal was above the all-India level. Morover, the Government has said that the severity of power cuts and energy restrictions imposed in West Bengal has been at a lower level than in the other industrialised States of the country. But the fact remains that even during the last winter season, erratic loadshedding continued to take place on an extensive scale, affecting both domestic consumers and industrial units.

Progress Without Power!

THE *Economic Review* of the Government of West Bengal for 1981-82, released recently, has given an encouraging account of the progress achieved by the small-scale industries in the last few years. It has described their performance as "remarkably impressive". The number of small units registered with the Directorate of Cottage and Small-Scale Industries increased by 126.15 per cent from 5,649 in 1976-77 to 12,775 in 1980-81 and the number of persons employed by them from 40,375 to 101,041. The review has said that "this growth has been so significant that, in terms of the number of small units registered, West Bengal has occupied the highest position among all other States and Union Territories in 1979 with 18.5 per cent of all such units in the country being registered in this State". The review has observed that "this significant development is closely related to certain definite policy measures" adopted by the State Government for improving the availability of finance, essential inputs and marketing facilities.

For example, the loans disbursed under the Bengal State Aid to Industries Act increased from Rs 6.3 lakhs in 1976-77 to Rs 57.5 lakhs in 1979-80. In 1980-81 there was an improvement to Rs 66.9 lakhs including Central loans. The amount distributed by way of incentives, both State and Central, was Rs 92.6 lakhs in 1980-81 compared to Rs 14.8 lakhs in 1976-77.

The supply of essential inputs to the small units has also shown a substantial increase—iron and steel from 5138 tonnes in 1976-77 to 18,244 tonnes in 1980-81, hard and breeze coke from 36,203 tonnes to 92,386 tonnes and paraffin wax from 3078 tonnes to 5905 tonnes. However, in the case of tallow and palm oil, the supply actually declined from 1846 tonnes in 1976-77 to 1310 tonnes in 1980-81 because of the difficulties experienced in getting this material from the State Trading Corporation.

The review has pointed out that the Central Government has never fully met the State's requirements of these materials. It has revealed that in 1980-81 the allotments of steel, pig iron, paraffin and tallow were only 8.5, 9.5, 14.6 and 1.9 per cent of their respective requirements at the State level. "It is unfortunote", says the review, "that in the allocation of these inputs, West Bengal has obtained much less than what should have been expected on the basis of its relative importance in terms of the number of registered units vis-a-vis other States".

Inexplicable Assertion

If the small industries in West Bengal have really achieved the progress claimed by the State Government, it indeed is commendable. But it is not explained how these industries have been able to overcome the problem of power shortage. The large and medium industrial unit have been complaining about the acute hardship caused by the irregular supply o power. Some of them have installe captive power units at heavy expense But this has increased their cost of production. The small units cannot affor to have their own generating sets. It is therefore, pertinent to ask how the smal units can prosper without power even i they get adequate quantities of steel, pi iron and other raw materials.

The *Economic Survey* of 1981-8 issued by the Government of India, ha revealed that the number of sick smal scale units in the country increased fro 20,326 at the end of June, 1979, to 22,3 at the end of June, 1980, and to 23,2 at the end of December, 1980, accounting for bank credit of Rs 231 crores, Rs 293 crores, and Rs 305 crores, respectively. The survey has not given these statistics State-wise. It is clear however that small units cannot make satisfactory progress when the large ones suffer from persistent sickness. At the end of June, 1980, there were 389 large sick units with an outstanding bank credit of Rs 1232.7 crores. Both the Central and the State Governments, therefore, have to cooperate closely with each other in making such units viable and in preventing future sickness. The Government of West Bengal ought to take particular care in dealing promptly with the difficulties of the small industries since, apart from their large employment potential, they can also contribute a greal deat to the promotion of exports.

Partial Decontrol of Cement

"AVAILABLE WITHOUT a permit and at a specified price". It was somewhat of a thrill to come across such advertisements in the daily papers and even more so to be able to walk into a dealer's shop pay for it across the counter and literally walk away with cement.

It is a sea-change: in just about a fortnight the picture in regard to cement marketing has become so dramatically different. The decision announced in the Central budget on partial decontrol under which a third of the production can be sold by the producer in the open market ended nearly two decades of total control, over distribution and pricing of this vital construction material. Except in the two years in the late sixties, for some two decades cement has been under a scheme of control with its concomitants: widespread curruption, the most glaring manifestation of which was the loss of office of Chief Minister A.R. Antulay; extensive adulteration that led to instances like the collapse of the prestigeous road bridge in Delhi under construction; rempant blackmarketing which ruled at over thrice the controlled price in Madras and over four times in Bombay; lack of enthusiasm on the part of the industry to take to modernisation such as the switchover to the energy-efficient dry process of clinker making. The results could be predicted. Production has been stagnating and capacity utilisation, which not long ago was over 90 per cent, dropped to just over 70 per cent. Since 1976 for four years production was stagnating around 19 million tonnes. After a disastrous drop to 17.6 million tonnes in 1979-80, production increased marginally to 18.6 million tonnes in the next year.

S. Viswanathan writes from Madras

In a recent chat, Mr S. Krishnaswamy, President of the Cement Manufacturers Association and Managing Director of the large conglomerate of Associated Cement Companies, predicted comfortable availability of cement in the coming months. The vast improvement in the availability of coal and power witnessed since the middle of last year has raised capacity utilisation to a level of around 83 per cent from around 78 per cent recorded in 1981. At this rate, production from the existing units is expected to increase from the 20 million tonnes of 1981 to at least 22 million tonnes in the current year. Nearly 6.5 million tonnes of new capacity is expected to be commissioned in the current year out of which at least three million tonnes of production could be expected during 1982. Added with the planned imports of around two million tonnes, total availability during the current year is expected to be in the region of 27 million tonnes which will be some four million tonnes more than that of the previous year.

Also, once the psychology of scarcity vanished, as happened in the case of steel during 1981, the consumer may not be that keen to acquire and stock cement leading to sizable wastages. Thus, the CMA President gave the hope for easy availability that will be borne out by the enthusiasm of the existing manufacturers to take to modernisation and also by the substantial additions to capacity that is taking place. An interesting aspect of this is the entry into cement manufacture by several major industrial groups many of which have diversified into cement production totally unrelated to their existing lines of activity like textiles, synthetic fibres, shipping, automotive tyres... These modern large capacity units promoted by companies with command over large resources, financial and management, would make it possible to take cement capacity to 45 million tonnes by 1985.

However, a matter for some concern is the big jump in consumer prices. In Madras, for instance, the price has doubled. The control price of cement was around Rs 30 per bag and it is today made available at around Rs 60. This means an extra expenditure of almost Rs 13000 in the construction of a dwelling unit of 1000 sq. ft. The escalation in the cost of construction due to hike in the price of cement alone is expected to be around 12 per cent. This is bound to have its effect on house construction activity.

Reasonable Price

Mr Krishnaswamy, however, assured that the price fixed for the open market sales was not unconscionable. He said that the Ghosh Committee recommended a price of Rs 385 per tonne as reasonable for the existing units. But while announcing decontrol, the Government fixed this price at only Rs 320, and expected the industry to make good the difference as also to earn reasonable profits on the open market sales. The price of Rs 385 has been arrived at on the basis of a weighted average of 80 per cent capacity utilisation. Even assuming that a unit operated at 90 per cent of its capacity, Mr Krishnaswamy said that this efficient unit will get just about a rupee per bag over the recommendations of the Committee and that such an efficient unit which had taken to timely modernisation involving sizable expenditure is justified in getting this modest incentive.

After the initial rush on the part of consumers whose construction work has been affected due to cement scarcity abated the pressure on purchases may reduce very considerably. There are prospects of a greater degree of attention to quality which has been a serious casualty in these years of control. Even now compliance to Indian Standards specification is obligatory for cement. The Government sought to provide a measure of protection to the consumer by this measure.

Revision of Standards

Unfortunately the standards specified under the Indian Standards for cement are in themselves very much lower than international standards. For instance in the production of slag cement, Indian cement companies use a very high percentage, upto around 65 per cent, of slag and only the balance of clinker; in a recent deal concluded by a leading cement manufacturer in AP to import clinker from Korea and supply cement to Nepal, this slag proportion is to be limited to half. The formulation of Indian Standards has hitherto been heavily influenced by industry representatives who have a vested interest in fixing the standards at the minimum. In fact CMAs Mr Krishnaswamy mentioned that his unit companies sought to produce cement to around 15 per cent higher quality than that prescribed under Indian Standards. In the freer marketing conditions, it should be possible to revise the Indian Standards upwards.

While announcing decontrol, Finance Minister Pranab Muherjee proposed a hefty hike in the duties on cement. He proposed to increase the total excise duty on the general categories of cement from Rs 71.50 to Rs 135 per tonne with provision for higher rates of duties for the more expensive special varieties. He also proposed to impose a basic customs duty of 10 per cent on imported cement together with full countervailing duty. These proposals are expected to give an additional revenue of Rs 198.33 crores. The fixation of the price for control cement at Rs 65 lower than what was recommended by the Ghosh Committee will also mean the consumer subsidising purchases of controlled cement very heavily.

Still the changed situation can and should have several beneficial fall-outs. First is the prospect for modernisation of old, decrepit units whose production efficiency has fallen. The leader, ACC may set the trend in this direction by opting for conversion of several of its over aged units from the wet process to the energy-efficient dry process of clinkering. The Indian cement industry may perhaps introduce separate grades for different applications. The high cost of cement may help trigger this development pretty soon. Thus we may soon have a less expensive grade of cement for plastering, for ordinary flooring and the like. A better education of the use of cement may also lead to economies in the use of this costly material. Hopefully centralised concrete batching plants may also emerge which would help standardization of construction practices, and there is an interesting possibility of production overtaking demand, paving the way for exports.

In the years of scarcity Indian has been paying for cement imports a price that is more than double the domestic price. In fact during 1982-83 the price of imported cement is estimated around Rs 1200 a tonne against Rs 400, that may be realised by efficient units of cement industry. Of course in exporting cement a sizable freight element will be involved and great care will be needed on packaging. Indian industry which has hitherto been rather indifferent to packaging, leading to sizable loss of weight and deterioration in quality, may have to go through a difficult process of adjustments to meet stringent requirements. But it will be well-worth the effort. The tiny country of South Korea with a population of just 36 million has a cement industry which produces 25 million tonnes, half of which is exported. With the rich deposits of limestone and coal, with large quantities of slag available, and with the expertise indigenously available for the design and production of large capacity cement plants, India can achieve substantial expansion to its capacity of cement, a good portion of which can be earmarked for exports. The freedom for pricing the industry has obtained in the recent budget should enable this to take to this desirable expansion.

A New Industrial Boiler

THE BOILER division of Saraswati Industrial Syndicate Limited, ISGEC John Thompson, has developed and successfully operated a natural circulation water tube fluidised-bed boiler (NCWFBB) which can revolutionise the boiler technology. The only other country in the world that is said to have experimented with this type of boiler is China. The NCWFBB, it is claimed, is far superior to the "forced circulation water tube fluidised-bed boiler (FCWFBB) developed by the state-owned Bharat Heavy Electricals Limited. Whereas the water is circulated in the tubes of the former without application of any external pressure, this objective is achieved in the latter by employing re-circulation pumps operated on electricity. The NCWFBB, thus, is more economical to operate. Its tubing cost too is less than the FCWFBB because of smaller tubing.

The NCWFBB can use coal having 75 per cent ash content as well waste materials and yet give thermal efficiency higher than that from conventional boilers. The discharge of pollutants from it also is claimed to be far less than that from the conventional equipment. The first NCWFBB with a capacity to generate six tonnes of steam per hour at a pressure of 20 kgs per sq cm and at a temperature of 300°C has been operating satisfactorily at Saraswati Industrial Syndicate's sugar factory at Yamunanagar in Haryana.

A typical fluidised-bed boiler consist of a steel plate having small holes on its surface and an air pump. The air pum is used to force the air in the boiler fron the undersurface of the plate. The uppe surface of the plate is covered with layer of sand on which are put fine parti cles of coal. The boiler is put into ope ration by simultaneous starting combu tion and the air pump.

The Saraswati Industrial Syndica plans to go in for commercial productic of the new coal fired as well as wast fired boilers within a year.

Window on the World

An Exercise in Self-Entrapment

Sudhir Sen
New York

LONG AGO James Reston wrote an unforgettable line about Secretary of State John Foster Dulles : "Secretary Dulles does not fall into traps; he digs large holes in his own path, and then jumps into them".

This Dulles trait might, at first blush, look bizarre; yet, in reality it is not all that rare. Once we turn over the pages of history or cast our eyes around in today's world, we are likely to be struck by the frequency of its occurrance, perhaps testifying to some innate, ego-related human frailty. How many leaders wielding great authority from high pedastals have buried their dreams in self-dug holes either through miscalculations or through misguided zeal!

A glaring example of this strange exercise in self-entrapment is unfolding before our eyes today. With great elan President Reagan swung into action, and in one year he managed to dig so many holes around him that he now finds himself completely trapped. Can he wriggle out of them? How? These are the questions that are now being asked and debated agonizingly both within and outside the administration. The stake is, indeed, high; and a great deal will depend on the answers—for Mr Reagan and his policies, for the Republican party in the next elections, for the domestic and the world economy. Let us first take a close look at the economic pits he has dug and finds himself pitted against today.

1. **Kemp-Roth Tax Cut**: When the 30 per cent three-year tax-cut proposal was first broached, few took it seriously—apart of course from its immediate advocates. The suggestion of a surge in savings, investments and productivity it was supposed to unleash was greeted with disbelief, even ridicule. When Mr Reagan as GOP presidential candidate espoused it and wrote it into the platform, the general reaction was one of cynicism—most people treated this as no more than a cheap and alluring vote-getting ploy. Even when it was made the centrepiece of his 1982 budget, they were surprised, but still unwilling to take it at its face value. Again, they assumed that the underlying motive was political, not economic; that the President was trying to impress the public with a show of his consistency, while at heart expecting the Congress to amend it substantially, if not discard it altogether.

The Revelation

Then came the revelation. Mr Reagan fought tooth and nail, defended the indefensible, turned down unceremoniously even the most reasonable compromises proposed by the Congress, especially the Democratic House, engaged in unabashed horse-trading, and using all the clout—and wiles—he could muster, trounced his opponents. He won some resounding victories but only superficially, which were destined to backfire. He had a rare opportunity to become a bipartisan hero, to set the economy on a sound path of recovery, and thereby to fortify his presidency. Instead, he acted in a blatantly partisan spirit. The result was a hodge-podge tax-cut, spending-cut legislation. The only concessions he made were of a minor nature—to delay the start of the tax cut by nine months from January to October, and to trim the first year's cut from 10 per cent to 5 per cent. The nation was committed to three-year 25 per cent tax-cut. And with it Mr Reagan had dug a large hole for himself.

2. **Indexing the Budget** : As the budget battle heated up, he made another far-reaching deal almost in a casual fashion to win some critical votes : the level of federal spending would be indexed to the rate of inflation. In other words, it was frozen at the 1985 level in real terms.

Daring Leap

This was another daring leap into the unknown. At a time when forecasters, both official and private, were unable to predict the behaviour of the economy from one quarter to the next, a firm commitment to the budget size was made several years in advance!

A well-known German observation comes to mind : "Versprechen darf nicht ein Sterblicher. Spatere Einsicht straft den Vorsatz lugen." (A mortal must not make promises. Later insight gives the lie to advance commitment). This, certainly, is apropos for budget-makers. But it was totally ignored by Kemp-Roth and budget-cutting zealots.

3. **Defence Spending** : Meanwhile, provision has been made for a hefty rise in defence expenditure—from $187.5 billion in 1982 to $292 billion in 1985, an annual increase of 11 per cent in real terms. Mr Reagan has declared himself adamantly opposed to any scaling down of his defence budget, nor would he allow any scrutiny of its substantive content. By implication, he denies the existence of any fat in it, although he never ceases to talk about "waste, fraud and abuse" in social services, which he is anxious to eliminate. Even his axe-wielding Budget Director David Stockman is troubled by this inconsistency. Mr Stockman has forthrightly stated that as much as $30 billion could be knocked off from the defence budget straightaway without the least adverse

effect on national security. How to "pack more bang into the buck" used to be the subject of earnest debate among those concerned with the defence budget. Mr Reagan shrugs off the very notion as irrelevant, and happily assumes that each additional "buck" would automatically add correspondingly more "bang" for national security. He is a firm believer in solving problems by throwing money at them, but only when national defence is at issue.

4. **Safety Net** : With the tax cuts and defence spending treated as sacrosanct and therefore off limits, the budget axe falls heavily on social services, like food stamp, medicare, school lunch, education grants. Mr Reagan talks of his "safety net" to protect the poor, the "truly needy". Yet he seems quite willing to lower the net steadily, also to plunge some large holes in it. His budget, said a Congressman, benefits the "truly greedy" at the expense of the "truly needy".

5. **Social Security** : The Social Security system poses a different kind of problem. Demographics and inflation have disrupted the underlying actuarial calculations of the system. It calls for a radical overhaul to rein in the runaway costs of benefits which, indexed to inflation, are outpacing the inflow of incomes into its trust funds. The outlays in 1983 are estimated to be $173.5 billion, a 12 per cent increase over 1982. This is by far the largest single item in the budget after defence. But Mr Reagan had tied his hands with a campaign promise not to tamper with the benefits. Last year an attempt made on the spur of the moment to put a lid on some benefit payments raised such a hue and cry that he promptly dropped it. This super-sensitive issue has been put back on the back burner which is hardly burning at all. The safety net, in this case, remains intact, which helps ensure Mr Reagan's own political safety.

6. **Reduced Government** : The Government cannot solve the problems, the Government is the problem—this is one of Mr Reagan's oft-repeated guidelines, as naive as it is arcane. His declared goal is not to improve the quality of Government, but to reduce it in size, although with one eye-catching exception : the Pentagon. And so in the name of New Federalism he is shovelling a bundle of economic and social problems back to the States with block grants that are patently inadequate to cope with them. In essence, he is deliberately creating a void in the functions of the Government for which the future will have to pay heavily. Moreover, the shrunken State budgets, perhaps partly replenished with new State taxes, will cease to perform their traditional contracyclical function in the present recession.

7. **Monetarism** : This is the most treacherous pit Mr Reagan's aides have dug for him, no doubt with his full support. It has put the economy in an incredible bind, kept interest rates in the stratosphere, and dumped the economy into a deep recession. The damage it has inflicted—both on the US and the world economy—is incalculable. It has turned the financial markets into a gambler's paradise with an army of speculators pushing interest rates—and with them the stock and bond prices—wilfully up and down in accordance with the weekly money supply figures released by the Fed. Worst of all, nobody knows when and how the USA will liberate itself from the monetary shackles it has forged for itself.

8. **Non-intervention in the Exchange Markets** : Last spring Mr Beryl Sprinkel, the militant monetarist Under Secretary of the Treasury, virtually ordered the Fed not to intervene in the exchange market to support the dollar—except in grave emergencies—so as to allow the dollar to find its own level. Since then the Fed has scrupulously adhered to this hands-off policy directive and has intervened in the market only on three occasions—after the assassination attempt on President Reagan, assassination of President Anwar Sadat, and the imposition of martial law in Poland. Thus, from what was perhaps a policy of excessive and overly frequent intervention in the exchange market, the pendulum has swung to the other extreme—of virtual laissez-faire. Was it necessary to make such a radical shift in policy, and to announce it publicly?

ADB Raises Interest

The Board of Directors of the Asian Development Bank has decided to increase the lending rate for loans approved after January 1, 1982, from its ordinary capital resources to 11 per cent per annum.

The Board's decision does not affect the terms applicable to loans made from the Asian Development Fund (ADF) of the Bank, which will continue to carry only a service charge of one per cent per annum.

The prime beneficiary of this well-publicized policy switch has been the army of international currency speculators who were now free to gamble in the dollar without the fear of being checkmated by the Fed.

9. **Deregulation of Natural Gas** : There is a strong case for completely decontrolling the prices of natural gas. And given the present oil glut in the world, this is an ideal time to do so as it would cushion the price increase resulting from such decontrol. Moreover, decontrol would bring substantial additional revenues from the taxes on corporate profits. If accompanied by a windfall-profits tax, the extra revenues could be $20 billion to $40 billion a year, which would go a long way to reduce the huge budget deficits of $100-plus billion a year now in prospect.

Such a step has been strongly urged by financial and energy experts. And what could be more natural for a "free-marketeer" like Mr Reagan than to tak such action? In fact, during the presidential campaign he had made a definit commitment to that effect.

But, alas, he has meanwhile mad another binding commitment. Las summer he sent a hand-written letter t Rep. Glenn English (D., Oklahoma saying; "If legislation should be passe calling for a windfall-profits tax o natural gas, I would—with pleasure veto such a bill". The commitme was unequivocal, and it would be t cynical for him now to ignore it. Th Congress, on the other hand, mig conceivably agree, or be persuaded, decontrol natural gas, but nev without a sizable windfall-profits t attached to it. Since Mr Reagan believes he cannot deny himself the "pleasure" of vetoing such a bill, he is denying himself the opportunity to decontrol gas.

Not that he has not eaten some of his campaign words. After all, having promised natural gas decontrol, he has, at least for the present, shelved it, although he may still return to it after the November election. Contrary to his campaign promise, he did try, even if fleetingly and clumsily, to amend the Social Security System. Even more serious is the fact that he had made repeated commitment to balance the budget by 1984. He has not only given up on this deadline, but is likely to end up with the largest deficits in the nation's history.

10. **A Gasoline Tax :** A sizable gasoline tax imposed at this stage would be most opportune. It will yield large and badly needed revenues to cut down the huge deficits. It will also prevent the gasoline price from sinking too low where it could undermine conservation, undercut alternative fuel development, and create another false euphoria that the energy crisis was over. The same objective could of course be served with a sizable import duty of, say, $10 a barrel. In fact, such a duty will have an added advantage inasmuch as it would help forestall a future dollar drain if and when OPEC once again opts to stage another price hike.

Such a tax or duty has been strongly recommended from various quarters, but only to fall on deaf ears. How could Mr Reagan who was elected to cut taxes and federal spending turn around and impose new taxes, no matter in what form? And so he remains a hostage to his pet dogma and sterile logic.

11. **Lecturing the Market :** For one whole year Wall Street has been sending clear signals to the White House indicating that it saw troubles ahead; that unless the so-called recovery plan was radically recast, especially to rein in the projected deficits, interest rates would remain sky-high, recovery prospects would evaporate, and stagflation would remain the order of the day.

What is surprising is that an administration dedicated to the free-market principle refused to take the signals seriously and to seek counsel from top-grade business leaders who would have been only too glad to help formulate the right policy mix to underwrite sound and sustainable recovery. Instead, it lectured the market and rebuked it for not bowing to the President's economic fiat.

Present Impasse

What, then, are the prospects for the future? Can Reaganomics escape from the impressive range of pits in which it is about to bury itself? It certainly can, provided it is willing to reverse the perverse steps that have created the present impasse. It could certainly go slow on the defence budget and shave it, or at least stretch out the increases over a longer period; reduce, or put off, some of the Kemp-Roth tax cuts; institute natural-gas decontrol coupled with a sizable windfall-profits tax; clamp down a gasoline tax and/or a tariff on crude oil imports; jettison the mindless brand of monetarism, and expand the money and credit supply, using the fast-accumulating slack in the economy (near-9 per cent unemployment and barely 70 per cent plant utilization) as effective collateral. All these are feasible, but unlikely. Reaganomics is too hidebound in dogmas to entertain such flexibility. This is what created the problems in the first place; it also bids fair to keep them alive—until a climatic change in circumstances compels it to make an about-turn.

There remains one intriguing question, or rather speculation. Will Mr Reagan, maybe this summer, spring a surprise and announce a plan to link the dollar back to gold in some form or other. There are no hard facts to warrant a confident prognosis; all one can do is to fall back upon intuitive judgment.

A gold link for dollar remains a distinct possibility, maybe better than 50 : 50. Rep. Jack Kemp of New York, who seems to wield uncanny influence on Mr Reagan, pleads vociferously for a "high-quality" dollar to replace the present low-status, depreciated paper currency, and he is yearning for a gold link which alone, he believes, could elevate its status. A new gold medal, but significantly called "gold coin", should make its appearance before long to serve as a store of value; its value will fluctuate with the market price of gold, but no commission will be charged for buying or selling it. This may well be conceived as a step in the right direction or "a foot at the door" by the believers in gold.

It is also no secret that Mr Reagan himself wistfully looks back to the *golden days* of the American economy and is presumably inclined to do whatever he can to restore them. The beleaguered President might very well resort to such a dramatic move, well-timed for the November election, to undercut his strident critics and to boost his sinking popularity. He might very well argue that such a move would smash the inflationary expectations, rout the bond-market cynics, halve the long-term interest rates, slash the budget deficits, and, crowning it all, ensure respectable gains at the next election. All this, to repeat, is speculation. But to judge from the straws in the wind, it does fall within the realm of possibility.

Inflation Decelerates

CONSUMER PRICES in the industrial countries as a group rose at a substantially lower rate in 1981 than in 1980, with the deceleration in price increases becoming more pronounced toward the end of the year, according to the calculations of the International Monetary Fund.

Data available for 1981 show that the industrial countries as a group registered an average inflation rate of 9.9 per cent in 1981, compared with an average of 11.9 per cent in 1980. The 1981 figure reflects inflation rates of 10.5 per cent in the first quarter, 9.7 per cent in the second, 10.1 per cent in the third and 9.5 per cent in the fourth.

Industrial countries whose average rates of inflation declined in 1981 relative to 1980 include the United States (10.4 per cent compared with 13.5 per cent), Japan (4.9 per cent, compared with 8.0 per cent), Denmark (11.7 per cent, compared with 12.3 per cent), Italy (17.8

per cent, compared with 21.2 per cent), Spain (14.5 per cent, compared with 15.6 per cent), Sweden (12.1 per cent, compared with 13.7 per cent), and the United Kingdom (11.9 per cent, compared with 18.0 per cent).

Figures for Australia and New Zealand, which are available only through the third quarter, also indicate a deceleration in their rates of inflation during 1981.

Accelerations in the average rate of increase in consumer prices for 1981 relative to 1980 were registered by Canada (12.4 per cent compared with 10.1 per cent), Austria (6.8 per cent, compared with 6.3 per cent), Belgium (7.6 per cent, compared with 6.7 per cent), Finland (12.1 per cent, compared with 11.6 per cent), the Federal Republic of Germany (5.9 per cent, compared with 5.5 per cent), Ireland (20.5 per cent, compared with 18.2 per cent), the Netherlands (6.8 per cent, compared with 6.5 per cent), Norway (13.7 per cent, compared with 10.7 per cent), and Switzerland (6.6 per cent compared with 4.1 per cent).

The only country whose average rate of inflation remained unchanged in 1981 was France (13.3 per cent).

In Britain

During the current year The United Kingdom's annual inflation rate fell by one per cent between January and February to 11 per cent, and all the indications are that the downward trend will continue over the coming months.

The latest figures released by the Department of Employment indicate that the retail prices index showed virtually no change in February as compared with the previous month— the first time prices have not risen month-on-month since August 1970. The resulting one per cent fall in the annual inflation rate was the largest since January, 1981.

The total effect of the measures announced by the Chancellor of the Exchequer in his March 9 budget will be to push the annual inflation rate down still further in the next two months.

The Chancellor in his budget statement foreshadowed an inflation rate of 9 per cent in the fourth quarter of 1982, but many informed observers now believe that single-figure inflation could be achieved by the middle of the year.

Whitehall officials said there were good prospect of a further fall in the year-on-year inflation rate until the summer, while the Secretary of State for Employment, Mr Norman Tebbit, described the February figures as "a real boost for the country".

He added: "We are now seeing the benefit of more reasonable pay increases and fast productivity growth which have slashed the growth in our unit wage costs to a point where we are matching, or slightly ahead of our main overseas competitors. This will bring our target of single-figure inflation into view."

Average earnings in the UK were rising at an annual rate of 10.8 per cent in the year to January, but as the more moderate pay settlements now being reached feed through into the statistics, earning increases are expected to remain below the rate of inflation.

Foreigners in Germany: Growing Hostility

HOSTILITY TOWARDS foreigners is growing in the Federal Republic of Germany. Yet most people don't want to remember that in the late 1960s, when German industry was starved of labour, the one millionth Turkish worker was presented with a TV set.

There are some two million foreign workers in Germany including families, there are 4.5 million Turks, Spaniards, Greeks, Portuguese and others.

It is generally agreed now that Germany has reached or exceeded its capacity to absorb foreigners. Ways are being sought to stop the influx, and where appropriate to encourage repatriation.

Politicians are worried by the growing public xenophobia and the diminishing willingness to integrate. Highly regarded opinion researchers say that the mood has changed radically over the past few years.

At the end of 1978, 39 per cent of Germans wanted foreigners to return home. By December 1981, this figure had risen to 66 per cent. Every second German now says that even foreign children who were born in this country should be denied a permanent residence permit—compared with 27 per cent three years ago. Only 11 per cent of Germans now favour integration help for foreigners compared with 42 per cent in 1978.

These figures reflect irrational fears which rightist groups such as Burgerinitiative Auslanderstop (citizens' initiative to stop the foreigners) are only too happy to exploit.

This xenophobia is partly due to an undercurrent of fear of diluting national identity; but there is also the concern over being displaced from jobs in a time of economic crisis.

The fact that this has little to do with actual realities has little effect on the mood. Sociologists are certain that the public attitude towards foreigners has long become ingrained.

These are boom days for those who like to oversimplify things. For example, there are those who suggestively ask if, without foreigners, would not Germans have less crime, less acute housing shortage, and full employment ?"

Unfortunately, this sort of sloganeering meets with a frighteningly strong public response.

Three-quarters of Germans actually say foreigners are the cause of many German problems.

Fifty six per cent of Germans want more stringent yardsticks for political refugees.

Most even say that people who are genuinely politically persecuted at home should still be rejected.

—*The German Tribune*

Multinationals Must Reveal More

MULTI-NATIONAL companies in the EEC will have to divulge much more information if draft proposals now being considered come into force.

The basis of the proposals is a draf submitted in 1980 to the EEC Commission by Henk Vredeling, of the Netherlands, who was then Commissioner fo Social Affairs.

His plan triggered full-scale resistanc by the employers, who brought pressu to bear at all levels of the EEC.

Under the proposals, multi-nation

would brief staff on policy every half year. Staff would be told about their company's economic position, its production and sales prospects.

Employees would be made aware of investment and rationalisation projects, new manufacturing processes and, in fact, anything that might substantially affect their interests.

It is proposed that staff be given plenty of warning to put their views before works are closed down or transferred, before "fundamental changes" are made in company organisation or cooperation arrangements with other companies are sealed.

The European Assembly will vote in full session on the issue in May or June, and if it says yes, the EEC Commissioner for Social Affairs, Britain's Ivor Richard, will draft new guidelines to be submitted to the Council of Ministers.

Then the lobbying by trade union and employer interest groups in all EEC member countries would begin. The whole process, if it goes right through, however, will take some years.

The Mexican Devaluation

THE DE facto devaluation of the peso upon the announcement on February 18 that the Bank of Mexico would no longer support the currency in the foreign exchange market immediately conjured up memories of the 1976 peso devaluation—and of the debilitating economic events that followed. After a doubling of the peso/dollar rate in 1976, the Mexican economy lapsed into a period of market instability and upward price adjustment, followed by austere policies and slow growth. There are enough similarities between the economic environments contributing to the two devaluations to evoke feelings of *deja vu* and concern for what the recent action implies for the Mexican economic outlook.

Since the peso established itself at a rate of 22 to 23 to the dollar after the 1976 action, Mexico has ostensibly conducted a managed floating-exchange-rate regime. In reality, however, this managed float has had properties of a fixed-rate system. The magnitude of the peso's recent devaluation against the dollar—over 40 per cent—indicates how untenable this type of policy had become. In 1982 as in 1976, the decision to let the peso float was brought about by economic rather than political forces. In essence, the move represented an acknowledgement by the authorities that it was no longer economically viable to peg the exchange rate when the market was demanding an adjustment. Politically, the monetary authorities in Mexico, as in other countries, have the primary responsibility for exchange-rate management. Nevertheless, it is the aggregate supply and demand for a currency—inside a country and out—that determines its value, whether under fixed or floating-exchange-rate systems.

In 1976, the Mexican devaluation occurred because there was a build up of an excess supply of pesos. Within Mexico there was a strong desire to shift out of pesos and into dollars, and consequently, a heavy flow of capital out of the country took place. The recent devaluation occurred for much the same reason.

Source: *International Finance*

Outlook for the Yen

RECENT AND targeted money growth in Japan has cast some doubt on the validity of the current consensus forecast for 1982—especially regarding the outlook for the yen. According to private forecasters, the Japanese economy is likely to record real growth of 3-4 per cent this year, about the same as the estimated 3.2 per cent growth of 1981. In addition, consumer-price inflation is expected to moderate to 3-4 per cent from 4.9 per cent, the current account surplus is projected to widen sharply to perhaps $15 billion from the $4.7 billion surplus of 1981, and the yen is expected to appreciate to below 200 yen per dollar by year end. These projections seem less plausible, however, when juxtaposed with the current stance on monetary policy.

In an attempt to spur domestic demand, the Japanese monetary authorities have pursued a relatively expansionary monetary policy since early 1981. As a result, M_2 (currency and demand and time deposits) plus certificates of deposit (CDs) grew at an 11 per cent rate between year-end 1980 and year-end 1981. Furthermore, the monetary authorities have continued this expansionary monetary policy, announcing a target growth rate for M_2 plus CDs of 11 per cent (at an annual rate) for the first quarter of 1982. This money growth, however, is considerably in excess of the recent and forecast growth in nominal GNP of 6-7 per cent. Any excess supply of money that results will require an equilibrating adjustment that has several important implications for the performance of the economy, and for the yen in particular.

Low Interest Rates

With the liberalisation of the Japanese capital markets in December 1980, the excess supply of money arising last year was manifested in low real interest rates relative to those in the United States and then dissipated primarily through an outflow of capital. As a result, the yen was relatively weak, averaging 220 yen per dollar in 1981, and the deficit on capital account soared to $7.3 billion from only $1.6 billion in 1980. Over 1982, if the relatively expansionary monetary stance is maintained, the capital account may continue to be the primary outlet for an excess supply of yen.

Another possibility—but one that currently seems less certain—is that a disequilibrium in the Japanese money market could be alleviated partially through increased purchases of domestic or foreign goods and services. This would raise either real output or domestic prices and would result in a smaller than expected current-account surplus. In any event, an excess supply of money in the Japanese economy seems likely to lead to a weaker yen in 1982 than is now being predicted by most private forecasters.

Point of View

Third World Economics of Distance & Mobility

Dr S. K. Ray

The author believes that the Third World will have to depend mainly on motor transport for a long time. This is because railways have come to these countries late in the day. Coming to India, he states that time is now ripe to appoint a national commission on inter-modal transport coordination for devising policies as well as enforcing them. The lessons of the Indian experience, according to him, are of vital importance to most Third World economies.

IN A developing economy of the Third World, particularly as vast as India or Argentina, where distances and immobility would prove to be a major deterrent to economic growth, the rate of such growth, or more succinctly progress, hinges inter alia on the rate of planned proliferation of the national network of transportation.

All by itself, transportation cannot be said to hold the key to progress. But it is vital and pervasive in its extent of influence on almost all other factors relevant to economic development. It, as is said, brings land to economic exploitation, motivates labour and capital to proliferate, leads industry and agronomy to devolop, and trade and commerce to discover new frontiers.

Transportation as an economic variable has not been as yet given a position of pride in economics as a determinant to growth. Lately, however, a genre of economics, called the economics of transport, led by socio-economic analysts like Wilfred Owen, Merton J. Peck, Amlan Datta and Holland Hunter, has emerged and this has focussed attention on transportation clearly operating as a determinant to growth.

In most of the Third World economies, India amongst them, transport development has materialised somewhat on individualistic patterns, independent of one another, with considerable areas of overrun. Such overrun, as between different sectors of transport, is a luxury in aggregate investment that the Third World economies can ill afford. Even in developed economies like the USA, France and the UK, the sectors of overrun have historically been narrowed down. In the Third World, area of overlap in transportation is a dis-economy, and national planning should ensure that shadow-regions of such overlap are not created or perpetuated.

Coordination in transportation is meant to signify the fitting of each form of transport into its proper place in the transportation system. Coordination is the assignment, by whatever means, of each facility to those transport-tasks which it can perform better than other facilities, under conditions which will insure its fullest development in the place so found.

Internecine Competition

Delightful ambiguity in the matter of internecine transport competition has been the experience in almost all the countries in the Third World. Thus, for instance, in Sri Lanka meaningful expansion of the railroads has made no worthwhile progress, while the strength of the motor transport lobby in the corridors of power has apparently grown, whereas in Zaire the construction of a 100 odd kilometres of proposed rail link, extremely vital to optimum exploitation of natural resources, was checkmated in view of the outside pressures of maritime interests influencing the national transportation policies.

There has been a transport revolution in European countries, Great Britain, France, Germany, Italy and the vast Soviet Russia on the basis of an overwhelming technology transformation, leading to bulk movements in freight and passengers. This was both the cause and effrct of industrial revolution as also expansion of agronomy, mining and commerce.

In this transportation revolution, new values have surfaced, the hegemony of the railways and the shipping lines have been eroded in many countries of Europe and transportation over the highways and airways have attained dizzy pinnacles.

Increasing Mobility

The importance of this phenomenon, manifest in overwhelmingly increasing volumes of movement, have been adequately appreciated in the economic literature and State policies of these countries.

This resurgent transport revolution has been manifest in a complete overhaul of transport methods, evolving in its trail many major shifts in public policies pertaining to economic development. The European situation in regard to the ecomics of inter-modal transportation, by and large, fits with the general patter obtaining in the United States.

In the evolution of the economics o transport, the historical tendency to vie different forms of transport separately and without relation to one another, i the aggregate national transport endeavour is no more tenable in today's socio economic situation. That the greate challenge in achieving optimum development will be to perfect the means b which policies can be agreed upon fo transport as a whole, without succumbin to the dangers of favouring one for over another, or of supporting the stat quo at the expense of innovation, has be increasingly appreciated.

As we said, this by and large has n

happened in most of the Third World countries. In some of them, the national railroad is engaged in a programme of pruning the uneconomic lines, which are far too many, in its quest for profitability and in order to hold its own vis-a-vis the highways and air transport. The venture is becoming highly controversial politically, and in view of this drag, further expansion of the system seems to be suffering.

In Bangladesh, the maritime links with the States of Assam and Bengal in India having been snapped, inland water transport has suffered reverses. Simultaneously, going by the coverage in Bangladesh press on the report of a consultative team of experts financed by the Asian Development Bank, the railways there are rather in a state of stagnation, and the five-year plan prepared by this expert committee, since accepted by the Government of Bangladesh, has suggested that further expansion should be by and large eschewed and for the salvation of the system, the railways should take up extensive programmes of renewal and rehabilitation.

The Indian Scene

The Indian scene also is more or less representative of the Third World scenario. Here inter-modal transport developments have through the decades been considered in merry isolation. The overall transport requirements provided by the different forms, taken in their totality, were never taken into cognizance, principally because the agencies providing them were discordant and, also because the overall transportation provided by these modes fell short of the total requirements of the country.

The transport competition in the Indian context has from around the 50s to date been mainly between the rail and road transport. From around 1958 it has been alleged that the Central Government of India intended to stifle the natural growth of road transport to give undue preference to the railways.

In a reassessment of policy for India, for a pragmatic forecasting of national inter-modal amplitudes, it is perhaps evident that in this country, as in most others in the Third World, we are not going to have an integrated transport monopoly in the near future, nor full-fledged competition with a cut-throat rate war, and to that end, the railways shorn of their statutory public service liabilities. India will have a measure of stabilisation and coordinated development by agreement and some control on road transport.

Duality of Control

The peculiarity of the Indian situation is marked by a duality of control as between the railroad and the highway transport, which has over the years created a situation of inherent divergence of interests. Here also Zaire is a case in point, more because of the fact that not only the different systems of transport are under the controls of divergent interests, there is also the question of domestic vis-a-vis international influence, financial as also managerial, as between the different modes of transport, mainly shipping and the railways. This is a legacy from the colonial days, and it has been an experience of more or less international dimenson and universality that such duality of controls and divergent spheres of influence eventually tend to make coordination and optimum development of transport difficult.

In India, while railway transport is a Central subject, road transport is a state subject. Until recently, the code of principles and practices. between the Central and State Governments, used to govern inter alia the extent of mutual coordination and functional division between rail and road transports.

Rail development in India has taken place under the statutory public service liabilities, and therefore was more on the basis of public utility services rather than on mere consideration of commercial profitability. Railways started in India under the colonial 'essentiality programme' and the same psychological approach in various manifestations has ever since continued to be evident. Motor transport, therefore, was under no real inhibition from operating on trunk routes across which the railways had already developed adequate capacity.

Under the five year Plans, India has projected and to a latge extent worked out, a mammoth extension of railway network. Yet, considered from the viewpoints of the necessities of developing industrial and agronomical sectors, India will have to depend on the roads for a long time and to a very considerable extent, despite further sweeping developments on the national railway networks. It is necessary to have an extensive network of arterial and feeder roads to open up the hinterlands for the railroads.

This aspect is of particular importance to those Third World countries where the railways has come late in the day, much after independence, and it is of importance that the trunk routes, which the railways call the route for movement of throughput are first spanned. Railways will also have on priority to link the mining or industrial belts. In the first few decades of organised national planning, the rest of the country, mainly the hinterlands for the railways, will have to be taken care of by the road motor transport, even though the same is becoming increasingly costly in view of the oil crunch.

General Picture

Despite the existence of Arab oil, the general picture of transport development in the vast Third World countries of new Africa has been gradually emerging on the line indicated above. One typical instance is Sudan and another Nigeria.

The position is not, however, unique to India, and except for highly riverine countries like Bangladesh, or largely mountainous reegions like Afghanistan, possibly this is the general pattern of national transport development in the Third World countries, the difference being principally of degrees, both inter se as also in the aggregate, and that the general picture with minor deviation is more of haphazard than of programmed development.

Efforts at apportionment of transportation, however, have not by and large proved very successful in the socio-economic strata of the Third World. Not to speak of the democratic or socialistic mixed-economy countries, even in countries like Pakistan and Burma, where the control of the State is pervasive, the so-called policies of apportionment have been generally breached, mainly by the highway transport, and in case of Burma, even by coastal shipping.

While in some cases where parallel services have already been in existence, inter-modal competition can be understood, though not appreciated, what is paradoxical is that such competition is not being eschewed to a considerable extent, even in the national planning for future development of road and rail transport as also inland shipping.

The Wastages

It appears that the awareness to the wastages of inter-modal transport competition in the Third World countries, even the progressive amongst them is rather on the surface and centres around polemics, and the national policy-frame is still consciously or otherwise planning for generation of transport in the aggregate, inclusive of shadow regions of inter-modal over-runs.

In India, the case of apportionment actually went by default. Thus serious trouble arose when motor transport transgressed the limits set by regulation and started to compete with the railway for even long-distance traffic, particularly in the high-rated commodities. In many cases, road transport achieved this simply by dodging the extant regulations. Thus, on the various trunk routes in the vast Indian subcontinent, such as Bombay-Calcutta, Delhi-Calcutta and Amritsar-Madras road transport has been carrying long-distance through freight by setting up a series of so-called transhipment points en route.

This has understandably put the railway in an embarrassing situation. While road transport is at liberty to wage open competition, the railway are bound by the statutory public service obligations under the Indian Railways Act.

India cannot have free competition as in the United Kingdom and possibly in West Germany, because of the statutory public service liabilities still shouldered by the Indian Railways. Neither is it possible in the near future to have an integrated transport monopoly. No prospect of nationalisation of road transport is in evidence on an all-India spectrum.

In India, a bold railroad transport coordination policy should start with scientific restrictions on motor transport. First, there should be a regulation of investment in road services, beyond short-distance traffic, particularly in the context of today's worsening energy crisis for the trunk routes. The intention should be not to inhibit expansion of road transport, important for general economic development and for strategic necessities. The need is to avoid investment in roads parallel to the railways, when there are vast uncovered grounds, where building of roads is both profitable and necessary.

Huge Investment

The point of view, which needs to be appreciated, is that the railway network is already there as a huge investment of the Government of India. Any new venture in the shape of development of alternative means of transport needs to be consistent with the continued profitability of the Railways. As for the national railroads, their capability to cater for the aggregate requirements of the national economy has lately been adequately vindicated, yet once again. planning for transport had to reckon with this apparently simple but highly controversial consideration.

Then, the whole policy of licensing of motor vehicles needs to be reviewed. Licensing should be on the basis of economic division of traffic, and the issue of licences of motor vehicles for long-distance through traffic, where the railways are obviously more economic, should be discontinued.

For this, there is need for proper quantification of the available and perspective volume of transport. In our opinion, the Planning Commission itself should suo moto take up this work yet once again, until and unless a National Transprot Commission comes into being.

There should be a really well organised machinery, like the French Comite de Coordination, which will function as a watchdog for coordination. This will ensure that economic division of function, laid out on an analysis of quantification of traffic, is adhered to, and will prevent extortion of legitimate rail traffic by road and vice versa.

Finally, there would be integration of railroad transport services on many routes. Some of the railways abroad, like the Canadian Pacific and the Canadian National for instance, have successfully evolved a new concept of total transportation, in order to provide to the consumer a door-to-door rail-cum-road-cum-shipping transport network.

There should be increased participation in terminal road transport by the railways to this end on a large number of routes. This should be done in collaboration with the road transport.

Indian Railways have made a beginning with the container services, but it does, if at all, as yet touch only a fringe of the problem. Total transport services in respect of the widest possible spectrum of traffic need to be provided by a combined road-cum-rail-transport services on the entire gamut of important commercial routes, inland and coastal shipping giving it a shot in the arm on certain specified viable routes. Indian Railways should embark on this venture in collaboration with the Shipping Corporation of India.

Assessment Required

As to how far and how many recom mendations of the Committee on Trans port Policy and Coordination (CTPC have so far been implemented woul require a complete review. It would appea necessary that time is now opportune t undertake such an assessment under th joint auspices of the Ministries of Tran port and Railways and the Plannir Commission. Neither the recommend dations of the CTPC nor the matter inter-model coordination have be given more than the usual lip-service India and this has cost the econor rather heavily.

We would also consider that time now ripe and opportune to appoint Indi first National Commission on Transp Coordination, entrusted not only w the responsibility of devising the pri ples and policies, but also enjoining their enforcement.

The National Transport Policy Committee (NTPC) has lately considered the issue of the apportionment of national transportation in India and had more or less re-emphasised the need for leaving the long-distance and bulk traffic to the railroads, light and short-lead to roadways and the medium-lead, between the two, on a scientific distribution arranged on the economic principle of 'what the traffic will bear'.

Enunciation Required

The enunciation by the Government on the recommendations of the NTPC as regards transport-coordination is eagerly awaited. While considering the report, two vital factors that would have to be viewed as major issues are: firstly, the implications of the deepening oil crunch on the non-rail transport sectors vis-a-vis the decision of the Central Government and the Planning Commission in India to accelerate the programme of railway electrification during the Sixth and Seventh Five-year Plans, and second, how far should we sublimate coordination at the cost of productivity.

The tenets of coordination cannot help the railways for the entire sweep. Very soon the economics of competition will come into play. While emphasis is increasingly being laid on mutual coordination between rail and road transport, it has to be simultaneously appreciated that for a specific section or for a specific traffic the customer will eventually take to the mode of trasport that suits him best.

If the railways, or for that matter, the roadways want to retain the existing volume of traffic that they are carrying, or want to skim off a big chunk of traffic from the other, they will have to meet such competition squarely on its own terms. There is a limit beyond which patch-work transport coordination cannot work.

Too much is often being made of the need for coordination in the inter-model relationship in national transportation arrangements. While there is no need to go back to the days of laissez faire, a measure of competition is not really a bad thing, efficient transportat services, provided conditions of disparities are not artificially created.

It is a matter for serious consideration if this point has already been reached in the context of the overall growth of transportation in a number of countries of the Third World. If that be so, it may be wiser for the Railways to take up marketing as a serious technique of operation. It will be necessary for the railways to come out of certain inhibitions and develop strategies to carry traffic to the entire satisfaction of the customer.

In recent months, Indian Railways have witnessed a period of resurgence, and if this be a trail-blazer, they are certainly going to flourish and fructify and, yet once again, going to fully meet the requirements made on them by the industry and the agronomy, the trade and commerce, the ports and the mines, in short, in the aggregate endeavour ment of the national a situation, the national railroads would be in a position to take this matter of inter-modal coordination also in their strides.

The lessons of the Indian experience is of vital importance to most of Third World economies.

It is our belief that it is essential in the interest of the Third World that the Indian experiment must succeed. It has also to be appreciated that in order that wastages arising out of inter-modal transport-war are avoided during the interregnum to the maximum extent practicable, there is need for much greater pragmatism in regard to both the policy and monitoring of this delicate business of inter-modal transport coordination and a viable apportionment of the national growth of transportation, that would marry the maximum-benefits approach with considerations of least-costs to the economy.

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Point of View

A Methodology for Research Utilisation

P. K. Kohli

The author who is associated with the National Physical Laboratory pleads for plans which could keep researchers in close contact with industry. Research and development work in Government laboratories should be such as can be easily transferred to the in-house industrial laboratories. Small-scale industries should set up cooperative research institutions, and commercially viable research institutions should be encouraged. Though the ultimate solution of the problems of LDCs is high technology, in the medium term technology transfer should take place between the LDCs themselves to prepare the ground for the use of higher technology. He stresses that introduction of technology should not be at the cost of employment.

THE UTILISATION of the results of research conducted in any institution would depend on the quality of the results of research, the quality of the research laboratory and the quality of the entrepreneur who commercialises the results of research. The quality of the research for the purpose of its utilisation may be viewed in terms of : (i) the stage which the R and D work has reached in the innovation chain; (ii) the cost of setting up the production facility for the product or process; and (iii) the commercial viability of the product or process as indicated by the market demand and the profit margin.

The quality of the research laboratory in the present context can be judged by: (i) its ability to select problems of research that are of relevance to the industry; (ii) its understanding of and rapport with industry; and (iii) its ability to provide post-licence servises, if necessary.

The quality of the entrepreneurs can be judged by their : (i) Capital base; (ii) Technological base; and (iii) Entrepreneural capability. The extent of the utilisation of the results of research is determined by these three elements and the interactions between them. The most important indicator of the interaction is communication. The factors having a vital bearing on utilisation of the results of research are :

a) Needs of the entrepreneurs;

b) Communication between the entrepreneur and the industry;

c) Investment demands and profitability problems as viewed by the entrepreneur; and

d) Quality of the entrepreneur.

That communication is an important factor in the utilisation of research can be seen universally. The need for better communication has led to the concentration of applied research with the users. It is still mainly through 'face to face' discussion and scientists and small-scale entrepreneurs do not like to travel over long distances (beyond 200 kms) for this purpose. Therefore this becomes a problem. Communication as a factor in the transfer of technology has been investigated by several researchers and their findings show that even within a company the chances of the utilisation of research are high if there is good communication between the marketing, the research and the production departments. The main reason for this is that the R and D within the industry has not yet reached such a level that it may sustain technological growth.

Scientists complain that industrialists run after foreign expertise of brand name products, well tried processes with an assured supply of raw materials, machinery and after-sales service. There seems to be an implication in their grumblings that industrialists are 'less patriotic'. On the other hand, industrialists answer back that laboratories do not give any 'new and useful' technology; the imitative research done by them could be done better by the industry itself; and scientists want to pass o laboratory-scale 'toys' as expertise There is some truth on both sides. A entrepreneur working for profits woul exhibit an attitude which the scientist have observed in him. That the laboratories have not been able to deliver 'read to mass produce' technology is also true The small-scale sector, which confine itself mainly to consumer items lik radios, amplifiers, voltage stabilisers, etc does not need any special expertis because these items have been on th market for several decades and thei technology can be obtained from an indigenous source. However, for som items, the small-scale industrialists g to the research laboratories for gettin expertise in order to improve thei existing products or to enter into ne areas.

Two Extremes

Among the existing systems of applie research are the rwo extremes: th academy-industry system (loaded i favour of the academy) followed in th USSR and the university-industry sy tem (loaded in favour of industry) fo lowed in the USA. The pattern growth of research and industry in Ind would, thus, have three distinct phase In the first phase, the quality of indu trially usable R & D in the Governme laboratories and in the industry shou increase to the extent that small ent preneurs would vie with one another take the expertise. In the second pha most of the applied and developmen research should be transferred to in-house industrial laboratories, small-sector should set up cooperat R & D institutions and the Governm laboratories should be able to und take basic research and long-term appl research. In the third phase, more t one commercially viable research in tution should be established while Government and the industrial lab tories continue to excel in the activities they undertook in the second phase.

In most cases, technological changes made by developing countries have been based on imitative activity, after an initial input of technology from an industrial nation, usually in the form of a licensing agreement with a technologically advanced firm. Subsequently, the developing country goes in for own technological adaptation and improvement. Initially, workets learn by doing and become more efficient, while supervisors, managers and engineers make small changes within a plant using the advanced equipment. As local engineers begin to replicate imported machinery and processes, they improve the design, making it more suitable for use in their own country. Finally, the emerging domestic industry sets up its own complete production systems and even designs new products and processes. Eventually a less developed country (LDC) exports its technology to other LDCs. In the process, technology-exporting developing countries have stimulated economic development and raised living standards at home.

Licensing Agreements

How should a country that hopes to initiate such a process within its own borders proceed? First, introduce technology through licencing or joint venture agreements. Second, use policy measures to maximise local innovation. Third, initiate local research and development, particularly applied research. In most cases, outlays on basic research by developing countries have not proved cost-effective, and application of existing technological advances to local conditions have provided a major boon to production. Therefore, any domestic research plan should take pains to keep researchers in close contact with capital goods sectors and with export industries that are likely to be eager for new technology. Evidence is mounting that just such a transfer of knowledge is taking place and is being successfully exploited by a growing number of developing countries. There are reports that more than a half dozen developing nations have in recent years become technology exporters. India, Brazil, Argentina, Mexico, South Korea, Taiwan and Hong Kong have succeded in selling technological expertise to other less developed countries (LDCs). In some case the technology sold is sufficiently sophisticated to encompass entire plants fully set up and ready to go—a level of refinement that requires development not only of machines, but of whole systems and processes. India has sold not only textile, sugar and cement plants, but also electricity-generating facilities, telephone exchanges, pharmaceutical plants, steel mills and machine tool factories. Argentina offers meat refrigeration facilities, fruit processing lines and cotton oil extracting plants, while Brazil and Mexico have sold steel plants to overseas buyers.

Twin Objectives

By combining the two processes, a developing country can provide employment and training for more workers while still meeting quality standards. Perhaps the most fruitful field for the application of technology is the manufacture of capital goods, when local industrialists build machines that enable the domestic economy to manufacture consumer goods for sale at home and abroad. The role of the capital goods sector in generating, diffusing and stimulating technical progress is then noted. The knowledge embodied in new capital goods technology also spreads to industries and workers using the new equipment. The interaction of worker and machine form a vital link in this process of technology diffusion. Technology must be learnt, as a massive body of research has demonstrated. A learning curve relates the knowledge of a machine or process to the time a worker spends with it. Workers learn from machines, i.e., they acquire some of the knowledge that the machine embodies.

Fundamentally, developing nations need advanced technology as an end in itself if they are to close the gap between themselves and the industrialised world. Developing economies must plan for future prices and market conditions. Most of the developed countries now say that technology is the wave of the future. These nations future prosperity in the international market on their ability to use science and technology to generate new products and processes.

Developing countries should likewise seize any opportunities to enhance their own technological expertise. Technology makes labour more productive and therefore more valuable. Outmoded, less sophisticated equipment may forestall the ability of workers (and the country) to reap future income gains. Technology is essential if the products sold by developing countries on world markets are to command respectable prices and generate export earnings. Even the nation that exports unprocessed raw materials needs technology to improve production and raise output.

The proponents of the labour theory of value have urged since the time of Adam Smith that a machine embodies the labour of the workers who built it. We might view technology as embodied human thought : the knowledge, research and planning that make a machine something more than the labour hours that went into its construction. The questlon then arises: how to use this embodied science and thought to foster economic development?

Unpleasant Experience

That developing countries might benefit from an injection of technology has been recognised for decades. Unfortunately, development planners initially viewed the transfer of technology as the simple process of moving techniques and machines developed in industrialised countries to the fields and factories of developing nations. In many cases, the results proved little short of disastrous. Massive infrastructure construction projects soaked up badly needed foreign exchange and generated little employment and training for the local work force. Agricultural machinery designed to cultivate the endless expansive fields of the American Midwest proved cumbersome and inefficient in the smaller, intensively worked plots that characterise tropical agriculture. The problem with these early efforts was that they mistook the machines that represented the technology for the technology itself. What was transferred was not the embodied thought or scientific knowledge but only the machinery. Designed to save costly labour in the United States and Europe, large-scale mechanised operations were ill suited to areas with cheap, abundant labour and scarce capital. A more recent concept linking technology and development calls for "appropriate" or intermediate, technology. Appropriate technology proponents stress decentralisation, labour intensity, and the ability of technology users to remain independent of foreign sources of supply for repairs and maintenance. Intermediate technology is said to be a response to prevailing labour and capital prices and availability in developing economies.

Process of Evolution

Therefore, the introduction of technologies without adequate understanding of their impact on employment and other social consequences leads to distress. People, more particularly rural, are displaced from traditional occupations. The latest technology should be adopted only where technology and human labour do not compete for jobs. Thus, absorption of technology is a matter not merely of calculating costs and benefits, prices of technology, costs of labour displaced or revenues of product achieved. Technology has an impact on society—the mode of living and the relationship between people and institutions. Technological change cannot be abruptly imposed. It has to be a process of evolution. However modern, however beneficial a technology, it has to fit in with indigenous culture and capabilities, and harmoniously transform tradition into modernity. Champions of appropriate technology would sometimes like developing countries to confine themselves to obsolete technology. Obsolescence is as undesirable in developing nations as in developed ones.

Having set the various parameters mentioned above regarding the methodology for the development of technology, it is essential that in order to make technology feasible from the point of view of techno-economic commercial exploitation, the entrepreneur has to be provided with the following data regarding the technology developed:

1. Product description, uses and applications.
2. Market survey covering present production and future demand estimates.
3. Process of manufacture.
4. Economic capacity of the plant.
5. Land, building and other civil works required.
6. Plant, equipment and machinery.
7. Projecting cost.
8. Fixed capital investment.
9. Annual cost of raw materials, utilities and factory overheads.
10. Annual wage bill of labour and staff.
11. Working capital requirements.
12. Total capital investment.
13. Annual cost of production.
14. Profitability.
15. Sources of procurement of raw materials.
16. Sources of procurement of plant, equipment and machinery.

On provision of this information, an entrepreneur shows interest for the development/commercial exploitation of technology. The scientists/technologists have to give know-how document covering the following aspects:

1. Name of the process/product.
2. Patented/non patented.
3. Co-product/bye-product.
4. Uses of the main product/ process.
5. Economic data; (a) whether produced in the country, (b) imports, if any, (c) estimated demand, (d) present market price.
6. Process know-how: (a) process flow sheet/outline, (b) scale of work, (c) specifications, (d) quality i.e. whether it confirms to IS, or BS or ASTM specifications, (e) consumers' acceptability.
7. Details of main raw materials/ components: (a) Indigenous, (b) Imported.
8. Details of main equipment: (a) Indigenous, (b) Imported.
9. Pre-design cost data: (a) plant capacity, (b) land and building, (c) plant and machinery, (d) working capital, (e) cost of production.
10. The assistance as part of know-how should consist of: (a) training of the entrepreneur, (b) demonstration of demonstrable unit/prototype or products tried out of bench scale/pilot plant scale.
11. Terms and conditions should include: (a) premium in rupees, (b) royality, (c) nature of licence i.e. non-exclusive or exclusive.
12. Period to be defined by a number of years for which the know-how released.
13. Remarks: Here it should be clearly defined that the know-how for the process of the product is suitable for a small scale, medium scale or large scale industry.

Technological choice in the Indian environment is essentially a political one. It is necessary, therefore, to clearly spell out the political motives and pressures that influence and shape policy in this field. The subject of technological choice must be discussed in the context of the overall process of economic development in India. Such a process is primarily directed towards the satisfaction of basic human needs, starting from the needs of the neediest, indigenous self-reliance based upon social participation and control and a life style in harmony with the environment. Technology is a tool that must further the goals of economic development thus defined.

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CHIEF EXECUTIVE

Indian Model of Industrial Society

The Social Framework of an Indian Factory: N.R. Sheth; Hindustan Publishing Corporation (India), Delhi; Pp 181; Price not given.

Change Agents in Family Welfare: Pramod Verma and T.V. Rao; Academic Book Centre, Ahmedabad; Pp 125; Price Rs. 15.

The IMF and India's Economic Future: P.R. Brahmananda; Himalaya Publishing House, Bombay; Pp 95; Price Rs 10.

Profile of Labour: Pramod Verma; Academic Book Centre, Ahmedabad; Pp 139; Price Rs. 35.

Development of Tubewell Irrigation in India: B.D. Dhawan; Agricole Publishing Academy, New Delhi; Pp 208; Price Rs. 100.

Science and Technology Policy-Priorities of Government: G.A. Tisdell; Chapman and Hall, London; Pp 222; Price not given.

Reviewed by **Academicus**

THERE IS a traditional and a strong belief that the Indian culture, value-system and socio-cultural institutions (such as caste, creed, joint-family, linguistic and kinship groups, etc.) are impediments to industrialisation and incompatible with the logic and requirements of industrialisation. N.R. Sheth has made an attempt in *The Social Framework of an Indian Factory* to examine this long-held belief. Findings of this study would have very significant policy-implications for the future of industrialisation of India and hence the importance of this study.

On the basis of the observation of western societies which were the first to industrialise, a belief has grown that "Industrializing societies follow a fixed path and direction of social change". The belief has gained ground that "industrial system requires a wide range of skilled and professional competence broadly distributed throughout the work force...The industrial society tends to be an open society, inconsistent with the assignment of managers or workers to occupations or to jobs by traditional caste, racial groups, by sex or by family status...industrialization requires an educational system functionally related to the skills and professions imperative to its technology. . .The labour force is highly differentiated by occupations and ob classification by rates of compenation, and by a variety of rights and duties in the work place community... The industrial society develops a distinctive consensus which relates individuals and groups to each other and provides a common body of ideas, beliefs and value-judgements integrated into a whole". It is held that "the fully developed industrial society is characterised by achievement, universalism, specificity, affective neutrality and collective orientation whereas pre-industrial society is marked by ascription, diffuseness, affectively and self-orientation". Hence a conflict is supposed to arise between the norms and values of the traditional society and those of the industrial civilisation. The clear implication is that if industrialisation in a developing country like India is to succeed, the traditional value-system and institutions must give place to a new social order agreeable to the technological system and age.

BOOKS BRIEFLY

The author has made an attempt to examine this traditional belief with the help of research study of a factory in a town in Gujarat State. He has used the pseudonyms, 'Oriental' for the factory and 'Rajnagar' for the town.

The author has divided employees in the Oriental mill into four categories: permanent residents, semi-permanent migrants, temporary migrants and village-based commuter.

He has shown that many of the permanent residents belonged to families which were part of urban population and had taken to urban occupations long ago. Most of them had either "no memory of their traditional occupations or had broken their connection with these more than three generations ago". These people did not face the conflict of loyalty between their social life and the factory.

It was observed that the second category of workers, namely semi-permanent migrants had important social connections to maintain outside the factory town. However these people performed most of those functions by delegating them to other members of their kin-groups still living in villages. A considerable number of these people were on their way to settling down within the urban-industrial nexus.

As regards the third category, namely temporary migrants, most of them had their social commitments outside the factory town and their attention was certainly divided between the factory job in the town and their families and lands in their native places. These people appeared to be only peripherally committed to an urban-industrial way of life.

Work Efficiency

As regards village-based workers, most of them appeared rural in their language, gestures, out-of-factory dress, etc. But however, according to the author, "this rurality did not interfere with their working efficiency in the factory".

According to the author, "The overall picture that emerges is of an intermixture of traditionalistic and rationalistic norms". In the factory under review, he found "a coexistence of the two sets of values and neither seems to hinder the operation of the other".

Industrial society and pre-industrial society stand only as ideal types and there appear to be different ways for a society to move from the pre-industrial to the industrial stage, and not just one fixed path traversed by western countries. To some extent industrial societies do develop similar or even identical features. But it is possible that different industrialising societies may march along different paths, depending upon the distinctive traditions of each. Japan is a classical example of this.

The author has convincingly disproved the long-held belief that there is a fundamental conflict between logic of industrialisation and Indian values and institutions. Also, our common observation is that Indian culture and institutions are flexible enough to accommodate the demands of industrialisation. Since to achieve our objective of industrialisation, it is not necessary to completely destroy Indian culture and institutions (which would be very difficult on account of their deep roots) the author's findings hold much hope for the rapid industrialisation of the country. Like Japan, Indian can have its own model of industrialised society.

CHANGE AGENTS

Industries offer great scope for family welfare activities through family planning and population control programmes. They have with them internal human resources in the form of labour welfare officers who can act as a potential change-agent to influence the attitude of industrial labour towards family planning.

There is therefore need to (a) identify internal human resources in a factory, (b) conduct research to help work out strategies of change, (c) use the results so obtained in working out strategies and strengthening the internal resources identified, (d) participate in bringing about the change, and (e) evaluate the effects.

From this point of view the authors of *Change Agents in Family Welfare* undertook a survey of textile factories in Ahmedabad to study the role of labour welfare officers and their attitude and motivation to play the role of extension agency to induce workers to accept family planning. It is possible that the findings of this survey may carry some general validity for workers in other factories and industries and hence its significance which may help policy-makers to evolve truly effective programmes for family planning for industrial workers.

The survey found that workers have a positive attitude towards a small family. But they generally had little knowledge about techniques of family planning. Naturally this affected their motivation and acceptance of family planning.

It was observed that welfare officers have ample scope to act as change-agents in the sphere of family planning. They have ample opportunities for carrying out family welfare work. Though at present family welfare work has been generally limited to present family planning, it could be made to include "worker-development, work-redesign, family counselling, health education, etc". Welfare officers do perceive all these as their legitimate activities and if properly organised, their free time can be devoted to these activities.

It was observed in this survey that the first requirement is to equip welfare officers with knowledge and skills needed to perform the assigned jobs. Welfare officers can be helped either by their own management or by any external agency by organising training programmes for them to increase their own motivation, knowledge and skills to executive family planning programmes.

Group Support

Group support facilities strengthen motivation of welfare officers to perform their dynamic role. The experience, according to this survey, has shown that formation of internal groups or teams of welfare officers is of great help in carrying on welfare activities.

The survey has also brought out the fact that "the attitudes of top management are critical in facilitating the involvement of welfare officers in new activities".

The survey has emphasised that maintenance of systematic profiles of workers giving all relevant information is very helpful for welfare officers for doing their various tasks.

Thus the study has come to the conclusion that "the welfare officers can play very innovative roles in contributing to the family welfare of the workers through some stimulation by an outside agency, group, support provision of technical know-how, and support by the top management."

A number of critical comment can be made on this monograph and the methodology adopted for the survey.

Instead of dividing the selected number of workers into broad groups on the basis of some significant variables, the authors have divided them into miniscule groups and have tried to collect from them detailed information on numerous heads some relevant and many irrelevant and on the basis of information so gathered have worked out percentages for each minute group often consisting of just 2 to 5 workers out of the selected samples. There is no doubt that each worker is an independent entity with his own special attitude, problems and responses. But collection of such detailed information will not help formulation of a broad policy which must be based only on some broad traits and common responses. And therefore unfortunately it must be said that the questionnaire and information sought from each worker and welfare officer are too detailed to furnish any broad basis for policy-formulation. The methodology needs to be more selective and discriminating, if it is to yield any worthwhile and practicable results.

And if the broad finding is that welfare officers can be an effective change-agent, especially if they are properly motivated and are provided with facilities, the question arises as to whether any detailed survey of the type undertaken by the authors was necessary at all to find out what by now is quite obvious? This appears to be a case of research for the sake of research. The monograph add very little either in the sphere of methodology or to our knowledge.

IMF LOAN

While India was negotiating the 5-bi lion SDR loan from the IMF, there wa considerable debate in the country o that issue, especially on conditionalit clauses by which India will have to abid if she accepted the loan. Now that t loan from the IMF has been sanctione it would be worthwhile to critically an lyse the various issues arising out of t

IMF loan. Dr P.R. Brahmananda's monograph *The IMF Loan and India's Economic Future* might be said to be the first study looking at the IMF loan and the various conditionality clauses and their implications in a comprehensive way. It is a very timely publication as the interested public wanted a dispassionate analysis of the loan.

No Alternative

Dr Brahmananda is right when he maintains that India had no alternative but to go in for this big loan from the IMF. India's reserves of foreign exchange were getting depleted rapidly. For example, they were down by about Rs 1,500 crores during the last year. India's imports of petroleum and petroleum products (which account for nearly 46 per cent of the value of India's total imports and take away nearly 65 per cent of her export earnings) will require for some years to come considerable amount of foreign exchange. India's trade gap has been continually widening. For example, from Rs 621 crores in 1977-78, the trade gap rose to Rs 1,088 crores in 1978-79, to Rs 2,449 crores in 1979-80 and to around Rs 5,626 crores in 1980-81. Further, India is still required to import foodgrains (to keep buffer stocks at appropriate level), fertilisers, vegetable oil, cement and essential industrial raw materials, apart from heavy defence equipment. This would involve huge amounts of foreign exchange. And borrowing from the alternative source of Euro-dollar open money market would be 8 percentage point more expensive than borrowing from the IMF under the 'Specially Extended Fund Facility' (SEFF) of which India is now taking advantage. Two other alternative sources of borrowing from the IMF, namely reserve tranche and the credit tranche (as also sale of gold) would at the most bring in only about Rs 3,200 crores. Dr Brahmananda has convincingly justified India's taking the huge loan from the IMF.

Dr Ashok Mitra and the Government of West Bengal were the first to launch in all-out attack on India going in for the IMF loan. The attack was launched on various grounds, namely, the Government of India did not take public into confidence while negotiating the loan and was extremely secretive, that the loan would mean that India's monetary and fiscal policies would be made in Washington and not in New Delhi, that it would mean greater encouragement and concessions to private sector and to multinational corporations, that imports would be encouraged because of liberalisation of import policy and this would mean reversal of import-substitution policy hereto followed with success, that the loan would mean cutting down subsidies to foodgrains with adverse effects on public distribution system and on food-for-work programme, that loan could have been raised in the open market, that our bilateral trade relations with socialist countries would be adversely affected, that our money supply will go up because of the budgetary support which the IMF loan will provide, and that there would be greater inflation leading to subsequent devaluation of the Indian rupee.

Political Motivation

Dr Brahmananda has made an elaborate attempt to answer these charges of West Bengal Government. Most of the charges could be easily disposed of because they appear to be politically motivated. Subsequent developments have shown that food subsidy has continued in the budget for 1982-83 as before. Broadly Dr Brahmananda has tried to show that since in these days all countries are very closely inter-dependent, we will have to change the connotation of the notion of economic sovereignty. And secondly, he has tried to show that whatever conditions are generally supposed to have been laid down (as for example in the case of money supply to private sector and to Government, apropriate pricing policies in the case of public sector units to make investment there profitable, restricting budget deficit, etc) are both in conformity with the declared policies of the Government and also in the long-term interest of the country.

There is no doubt that the IMF loan, as pointed out by Dr Brahmananda, was inevitable and also one would agree with the author when he maintains that, if the loan is used in a planned way for importing essential raw materials, necessary capital equipment (especially for generation of electricity, production of oil, etc) and for improvement of economic infrastructure, not only will the loan pay itself but as Dr Hannan Ezekiel has pointed out, like Marshall aid plan it may prove a lifeline to get the Indian economy out of the difficulties and put her on way to rapid progress.

From that point of view the concrete suggestions which Dr Brahmananda has made regarding the follow-up action (augmentation of oil production by importing necessary capital equipment, as also equipment for increasing production of fertilisers, cement, paper, special steel, non-ferrous metals, etc and for development of transport and improving facilities for R&D) appear to be a positive contribution which should attract attention of policy-makers. There is no doubt that if these priorities are followed while using IMF loan, Indian economy will emerge stronger and more viable. The future, according to Dr Brahamananda, lies in our hands.

This is a comprehensive treatise that has made an attempt to put IMF loan in its proper perspective and it appears the author has succeeded in achieving his aim to a very great extent.

ALL ABOUT LABOUR

Profile of Labour deals with various aspects of labour force in a typical factory in Ahmedabad. But the problems raised and analysed in this study are not peculiar to work-force in Ahmedabad. Indeed all major industrial centres in the country have been facing almost similar, if not identical problems. Hence the general significance of this book.

The author's analysis of 'Workers' Needs And Welfare' is illuminating. The concept of labour welfare has gradually evolved over a period of time. The author has observed that labour welfare activity call for careful planning and should be guided by considerations such as undertaking welfare activities in accordance with the felt needs of workers, should aim at the general development of workers' personality, and ensure maximum participation of workers in the implementation of various welfare schemes. As regards felt needs of workers, the survey data indicated that workers attach considerable importance to community sanitary facilities, primary schools, cooperative housing society, vocational school for children and for adults. The action plan envisaged calls for cooperation of all welfare agencies which at present is lacking. The author has suggested setting up by Government of an apex body to provide a direction for labour welfare activities. He has suggested that this apex body should undertake surveys of physical and social needs of industrial workers, advise individual organisations on technical and organisational matters, and discuss the legal, economic and social difficulties in the implementation of welfare measures. It is felt that "A co-ordinated effort which will pool the private and public resources should prove extremely useful in ameliorating the conditions of workers."

Instructive Revelation

The study of the pattern of consumption expenditure of workers revealed that industrial workers still perferred to buy cotton cloth and get them tailored, that traditional source of energy was kerosene and firewood and that no dent has been made by cooking gas.

The implications for policy are clear. It means that any increase in food prices will have adverse effect on the level of consumption. It also implies that "any possible reduction in food consumption is resisted by the workers who consequently agitate for either higher wage rate or increased rate of dearness allowance." The author therefore has suggested that mills should be encouraged to distribute foodgrains on 'no profit, no loss' basis to workers.

The study revealed that trend towards using ready-made garments may get momentum. The author therefore has suggested that employees' dependents may be encouraged to undertake sewing activities. That would help to earn an extra income.

Housing conditions are deplorable. It it suggested that a special programme be undertaken to improve housing and sanitary conditions, especially of workers in lower income groups.

Also general indebtedness of workers needs to be looked into. It is essential to take steps to reduce the impact of such indebtedness.

It is observed that the size of the family imposes severe strain on industrial workers. The author therefore has suggested that mill management should be persuaded to evolve and implement an effective family pianning programme.

Though there are some common features that characterise all industrial worers, there might also be some differences among industrial workers in different regions of the country. From that point of view such regional surveys of labour problems are of great significance. Only such micro surveys at mill or factory level would enable policy-makers at different levels to take effective measures to improve the lot of workers. It is rightly felt that unless social scientists provide a systematic analysis of micro-level problems, tasks of policy-makers and implementators would be difficult or even impossible.

This study by Pramod Verma provides a good model for carrying out micro-level surveys of labour problems.

TUBEWELL IRRIGATION

B.D. Dhawan of the Institute of Economic Growth, Delhi, has in his *Development of Tubewell Irrigation in India* critically analysed the economics of tubewell irrigation vis-a-vis dugwell irrigation in the country.

It must be realised that contrary to the general impression, water resources of India are far from bountiful. In fact, India's water resources are inadequate in relation to her land endowment and requirements. For about 140 million hectares under cultivation, the utilisable irrigation potential (measured in terms of gross irrigated area) is placed at 112 million hectares. Of this potential half is already tapped. This means without great improvement in the art of water storage, conveyance and utilisation in fields, double cropping of land essential for growing increasing quantities of foodgrains necessary to feed rapidly rising population appears to be a difficult proposition.

According to the author, due to hig indivisibility of investment in indivi dually owned tubewell, its spread durin pre-planning era was extremely limited

A minimum size of about 20 acres i Punjab and Haryana and about 5 acres elsewhere could alone recove the capital cost and running expense of a tubewell.

Vital Factors

But in the wake of developmen planning things started changing. Tw vital factors that favoured adoption o tubewell technology in the above-mentioned areas have been the widesprea use of HYP seeds and price suppor policy adopted by Government coincidin with land reforms, institutional financ and sizeable improvements in variou infrastructure facilities in rural areas This meant that 16 acres in West Bengal 11 acres in Bihar, 5 acres in east UP an 1.2 acres in Punjab, Haryana and wes UP were adequate to support 0.24 cuse electric tubewell. That explains wa during 1951 and 1978, the number o private tubewells in the country ros from 3,000 to 1,744,300; of public tubewells from 2,400 to 29,825 and tota number of tubewells in the countr from 3,855,000 to 7,691,700.

The State-wise picture of tubewe irrigation brings out the predomina position of Uttar Pradesh, Punja Haryana, Bihar and West Bengal. Accor ing to the author's finding, though abo two-fifths of the ground water resourc of the country lie in these five State they account for nine-tenths of t tubewell irrigation in the country.

According to the author's finding during the post-HYV period, wh capital and operating costs of traditio dugwell irrigation rose substantial tubewell has become the superior mo of groundwater irrigation for all ca gories of farmers in the Indo-Gange plain.

The research also points the sc economies in respect of capital co This confers considerable cost advant on large farmers when they adopt tu wells of relatively greater capacity.

There is one unfavourable aspect which the author has drawn attent

It is observed that in Punjab and Haryana expansion of tubewell irrigation has occurred due to individual enterprise with the support from the State and financial institutions. But expansion of private tubewells has become the single-most important source of prevailing inequity in the distribution of income and wealth in rural areas.

According to the author, "A possible way out of this undesirable situation appears to be to harness scale economies through a system of public tubewells of large capacity, from which all farmers would receive tubewell water at a uniform price." There are a large number of public tubewells in most of these five States. But at present they are managed inefficiently like other public sector enterprises in the country. According to the author, if public tubewell system can be efficiently organised and arrangements made to provide water to small and marginal farmers, the problem of inequality of income and wealth can be tackled to some extent.

Economics of tubewell technology are assuming increasing significance. This excellent study throws considerable light on various issues arising out of adoption of tubewell technology and has also suggested the policy that should be adopted to minimise the disadvantages arising out of this technique which alone can facilitate double and more intensive cropping and help solve the future food problem of the country.

SCIENCE AND TECHNOLOGY

In recent years Governments have become more concerned about their formulation of science and technology (S&T) policy. While the community at large looks to advances in science and technology as a means of improving the lot of mankind, it is also apprehensive of undesirable effects of technological changes like nuclear risks, unemployment, global pollution, environmental damage, depletion of non-renewable resources, etc. And therefore the belief has gained ground that direction of scientific and technological advances should not be left entirely to scientists, technocrats and private business entrepreneurs and managers.

The purpose of the excellent monograph *Science and Technology Policy-Priorities of Government* is two fold : to isolate economic and social factors that ought to be taken into account in formulating and planning science and technology policy from the point of view of society; and secondly to review the science and technology policies so far adopted by Organisation for European Cooperation and Development (OECD) countries.

So far as changing social and economic circumstances, all OECD countries have been placing increasing emphasis on their S&T policies on priority basis. There is apparently increasing determination to get maximum benefit for society from public funds which are being increasingly spent on R&D and S&T efforts.

People have become increasingly aware of how S&T can change their everyday lives and of the extent to which moral and social questions are involved in the application of S&T policy. The view is gaining ground during 1970s that because of these moral and social issues, S & T development and application must be the shared responsibility of all, instead of its being an exclusive preoccupation of scientists themselves. Concern about environmental issues appears to have been the catalyst. Quality of life rather than blind economic growth is being looked upon as a desired goal. Though initially this resulted in some quarters into an anti-science backlash, in course of time, communities have been looking increasingly to science and technology to help solve environmental problems and also improve quality of life.

The monograph enables readers to understand the specific ways in which a number of OECD countries have been responding to social pressures for adopting greater collective end towards which advance of science and technology should aim. But is there any guarantee that social priorities that do prevail are good for society as a whole ? Is there not the danger of the machinery for setting collective priorities being captured by special interest groups and science and technology exploited by those special groups to secure sectional gains ?

Indeed it has become extremely difficult even in democracies to rationally determine what is collective good. In the name of good of society, this or that particular political or economic group is almost convincingly propagating that what is in the interest of that particular group represents the good of the society. Also advances in science and technology and vast public funds allotted for that purpose are being used to further the interests of this extremely articulate group (as for example, industrialist-military lobby as in the United States) or some other groups in other democracies. One only hopes that a mad paranoid in either

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super-power will not bring about destruction on the entire world through use of science and technology. Can-humanity really act rationally ? As the author has concluded, it is necessary that all these problems concerning science and technology and their management are brought into the open and thoroughly discussed. This is because "Nothing is gained.... by adopting the stance of an ostrich."

Garibi Hatao

Fighting the Poverty Line—Socio-Economic Development of Boath Block; Andhra Pradesh: AVARD Micro-Level Planning Studies, July, 1980; **Rs** 50.

Reviewed by **Prajit K. Dutta**

VOLUNTARY AGENCIES have been active in the field of rural development for many years now. Certainly, significant spurts in activity can be discerned in the periods immediately following the drought years of the mid-'60s and the collapse of the Naxalbari movement in the early '70s. Moreover, though unevenly spread spatially, their number perhaps runs well into thousands. Given this picture, one can appreciate the principal problem they are confronted with—the problem of a lack of coordination. This manifests itself, in the absence of precedence, in paucity of ideas, an inadequate grasp of social structures and again, in the sheer lack of relevant skills and crucial resources. In this context then, the efforts of the Association of Voluntary Agencies for Rural Development (AVARD) cannot be over-stressed. The volume under review is the outcome of such an exercise.

The Boath block in Andhra Pradesh is a representative picture of rural backwardness, as indeed the following statistics would confirm: 88 per cent of the population belongs to backward castes; occupationally, 86 per cent are dependent on agriculture, whose low productivity is reflected in average paddy yields of 1,100 kg/acre; female literacy is an abysmal 4.2 per cent, the average per capita income is no more than Rs 519 p.a., and most importantly, some 86 per cent of the population lies below the poverty-line of Rs 4000 p.a. per household.

Against this background, one has to view the AVARD-conceived development strategy. And ironically enough, one differs from the 5-year development plan, not because it shall do too little but on account of the fact that it presumes to do too much. Before resolving this ostensible paradox, however, a quick look at the plan itself will be worthwhile. The crux of the strategy lies in a concerted effort at strengthening the livestock sector. This is understandable given poor soil fertility, specially of Chalka soil, the terrain and environmental factors. Animal husbandry schemes are to provide supplementary incomes to small and big farmers alike, besides furnishing job opportunities to one-third of the landless. The precise schemes spelt out lie in the fields of dairy, pig, goat, sheep and poultry development. Great emphasis has also been laid on irrigation. Minor irrigation schemes are granted a multipurpose role. What grants the plan an integrated character is its additional treatment of schemes to create social infrastructure-investment in education, health and sanitation, roads and the works. So far, so good.

To return now to our doubts, a consistent plan would be that which matches the allocations contingent upon plan targets with the resources that can be mobilised. The expenditure required by the Boath plan is an astounding Rs 20.05 crores. Irrigation alone demands a sum of Rs 17.99 crores. Not once in the 174 page 'plan document' is any referance made to the question of resource mobilisation. It would be pertinent to point out, that the State budget of 1982-83, allocates a mere Rs 35.4 crores to the entire Andhra Pradesh for the IRDP programmes, an allocation that works out to no more than 8 lakh rupees per block. Even over a 5-year period, this is but Rs 0.40 crores.

Moreover, resource mobilisation goes beyond its mere financing. Skilled and even semi-skilled manpower has always been at a premium for voluntary agencies. Part of the problem has often been solved by significant local participation. There is some mention doubtless, in the Boath plan, of social mobilisers, identified workers, one from each village, spreading awareness about health and sanitation and so on. There remains the unexceptionable fact, however, that no comprehensive plan to involve local manpower is discernible.

It seems rather strange also that a plan headlined 'Fighting the Poverty-Line', makes not even the first attempt at a rigorous classification of the poor. The poverty-line of Rs 4000 p.a. per household is taken as given and on that basis 1.15 million emerge as the poor. When 86 per cent of the population comprises the target group, not much discrimination in treatment is possible. This problem gains further relevance in the light of the ambiguity in allocation figures, pointed out above.

Two further comments need be made. The judgement on the efficacy of the programme content has often to be reserved because of the apparent arbitrariness of targets. A 75 per cent irrigation figure is produced much like the conjurer's rabbit, without so much as an explanation.

Again, insofar as all such micro-level plans operate within the broader development strategy, their formulation must account explicitly for the expected role of the State. As noted above, the Boath plan does assume the existence of a benign State ready to be called in at times of distress, but the plan itself does not incorporate the linkage with Governmental policies at any point.

In conclusion, may we illustrate our basic contention with a quote from the book—"though it is recognised that not all the schemes can be implemented in the five-year period, for the sake of convenience the estimates of total outlay, regional rate of growth and the employment potentials are worked out assuming that the complete plan will be implemented." Here is a micro-plan that pretends to do too much over too short a period, with too few observable resources. And therein lies the clue to the resolution of the paradox. The publication, of course, makes an interesting reading.

Focus on Industry

Rising Demand for Roller Bearings

ANTIFRICTION ROLLER bearings consist of all types of bearings such as ball bearings, cylindrical roller bearings, taper roller bearings, combined ball and cylindrical bearings, spherical roller bearings, ball thrust bearings, needle roller bearings, etc. The growth of antifriction roller bearings is closely linked with the development of engineering industries. In addition to original equipment demand for these bearings, the replacement requirements of the antifriction bearings are also of considerable importance.

There are at present 10 units in the organised sector engaged in the manufacture of antrifriction ball and roller bearings of different categories with a total installed capacity of 31.4 million numbers per annum. The industrial licences have been issued for a total annual capacity of 61.04 million. In addition, letters of intent have been granted for an additional capacity of 43.2 million. The industry has a long gestation period and the actual installation of capacity takes place in phases. It is estimated that by the end of 1982-83, the total installed capacity will rise to 57.60 million.

Increased Production

The production of various types of antrifriciion ball and roller bearings during the past five years in the organised sector has increased from around 25 million to 30 million .

Currently, ball and roller bearings are being imported to the tune of five million per annum, estimated value being Rs 18 crores. The present export in this industry is negligible.

The target of capacity and production has been indicated as 57.6 million and 50 million respectively by 1982-83. However, in the light of demand assessments and production projection made in the user sector, there may be scope for the setting up of new capacity. There are thousands of different types and sizes of antrifriction roller bearings required for industrial use and it does not become economically viable to manufacture each and every type of bearings required by the user sector. Consequently, a certain percentage of demand will continue to be met through imports.

Long Gestation

Materialisation of capacity involves a long gestation period and the actual installation takes place in phases due to heavy investment and technological consideration. Past experience shows that the total period required in the implementation of a project and build up of the production to the rated capacity involves a time period of between 5 and 8 years for a new unit. The gestation period also depends upon the diversity of product mix included in a project. Considering the above mentioned facts as well as the progress of implementation of approvals already granted, there is need for approving further capacity in the field which will primarily be required for meeting the growing demand beyond 1982-83, particularly for new units. The existing units should be considered for expansion and diversification of capacity for manufacture of new types of ball and roller bearings which are being imported at present, such as deep groove multi-row bearings, angular contact ball bearings, combined ball and cylindrical roller bearings, high precision heavy duty bearings, miniature bearings, aircraft bearings and roller bearings for special applications as well as for their existing ranges of manufacture. In drawing up a new project proposal, due care has to be taken about a suitable product mix for economic viability. It may be pointed out that the types of bearings which are currently not manufactured are required in relatively smaller numbers and a new project for manufacture of such types of bearings only may not be economically viable.

Foreign collaboration proposals for manufacture of the special bearings mentioned earlier from existing units which want to diversify are considered on merit. For new units also, foreign collaboration proposals for the entire range of product are considered on merits. Past experience has shown what many of the approvals earlier given could not be implemented on account of the failure of the entrepreneurs to get a suitable foreign collaboration. It is, therefore, preferable that any new proposal should be a composite one along with foreign collaboration.

The following are the ball and roller bearings manufacturers with location of plant in brackets:

1. M s Associated Bearings Co Ltd, Hoechat House, Nariman Points, Bombay—(Chinchwad, Poona, Maharashtra).
2. M/s. Amber Bearings Manufacturing Co P Ltd, Plot No. G-3, MIDC Industrial Area, Hingana Road, Nagpur—(Hingana Road, Nagpur, Maharashtra).
3. M/s Antifriction Bearings Corpn Ltd, 401, Kakad Chambers, 132, Dr Annie Besant Road, Bombay—(Bhangerwadi Road, Lonavla, Poona, Maharashtra).
4. M/s Indo Nippon Precision Bearings Ltd, Moula Ali, Hyderabad—(Pokhran Road, No 2, Majiwadi, Thana, Maharashtra).
5. M/s National Engineering Industries Ltd, Khatipura Road, Jaipur—(Near Railways Station, Jaipur, Rajasthan).
6. M/s Needle Roller Bearings C Ltd, Pokhran Road, No 2, Majiwada Thana—(Pokhran Road, No 2, Majiwad Thana, Maharashtra).
7. M/s Precision Bearings India Ltd Nirmal, 14th Floor, Nariman Point Backbay Reclamation, Bombay—(Maneja, Baroda, Gujarat).
8. M/s Shriram Bearings Ltd, 3-A Shakespeare Sarani, Calcutta—(Rat Road, Ranchi, Bihar).
9. M/s Union Bearings Mfg C Bhagwan Niwas, N.K. Mehta Roa Porbandar—(National High Wa Dharampura, Porbandar, Gujarat).

Readers' Roundtable

Friendly Tip

Sir, You ridicule sentences ike "On the one hand...... ind on the other hand" ("An Optimistic Economic Survey"—E.E. February 26, 1982), but you yourself use "On the other hand......" in the same editorial! (Page 499, second column, 10th line from above). You should have been careful!

In this editorial, you wrongly use "compared *to*" twice. You should have said "compared *with*". There is a difference between the two.

It was a pleasure to read the hard-hitting "Dry Thoughts" (Page 501).

"South is South and North is North" (Page 500) was wild. The conference was much ado about nothing —a gathering of crows on India Gate lawns!!

(Mrs.) Ashoka Trikha
New Delhi

Inefficient LIC

Sir, A complaint against LIC which recently appeared in the press is typical of the problems faced by many policyholders. Although the premium had been paid on time, and a valid receipt was produced by the policyholder, he was asked to pay it again with interest because the Jaipur branch where it had been originally paid had failed to intimate the Patna branch where the policy had been transferred. In cases where the policyholder is asked to 'pay again because of inefficiency of LIC, he has a simple remedy. If he has proof of premium payment, he can file a criminal complaint of misappropriation against the manager of the branch where the premium has been paid. A magistrate who threatened to do this, got immediate results.

Policyholders should take care to pay premia only by a crossed and account payee cheque, with an inscription of details of policy etc., on reverse of it. Once the cheque is cleared and the entry appears on the bank passbook, the policyholder can threatten criminal prosecution against the LIC staff which refuses to accept the fact of payment and demands repayment of premium. At the present juncture there does not appear to be any other alternative.

Bombay M.R. Pai

Slump in Savings

Sir, This has reference to your leading article captioned—'Slump in Savings and Investment' which has appeared in February 19, 1982 issue. It gives an impression that there has been a heavy fall in savings and capital formation rates in India during 1980-81. However, after going through the quick estimates of the Central Statistical Organisation released on February 8, 1982 one observes that the fall in the gross savings rate in 1980-81 as compared to 1979-80 is marginal i.e. from 22.5 to 22.2 per cent. Similarly, the decline in net savings rate is from 17.1 in 1979-80 to 16.9 per cent in 1980-81 which is very small. The capital formation rates both in gross and net terms have recorded an increase in 1980-81 as compared to 1979-80. The level of 1978-79 also was almost maintained during 1980-81. In these premises, the title of the article appears to be somewhat misleading as there is no heavy or sharp fall in the savings or capital formation during 1980-81 as compared to 1979-80.

The fall in the savings rate in 1979-80 as compred to 1978-79, the former being a drought year, is appreciated by you while fall in the savings rate in a good year, like 1980-81 as compared to 1979-80 appears to be puzzling as one expects increase in savings simultaneous with the increase in income. In this context, I invite your kind attention to the fact that the fall in savings registered in Indian economy during 1980-81 was mainly owing to decline in the savings of the administrative departments of the Central and State Governments which constitute the public sector. The press note issued by the CSO has made it amply clear that the estimates of savings of administrative departments are based on revised estimates of receipts and expenditure and not on actual accounts (please refer to page 14 of the Press Note). In the inflationary condition, it has been observed in the past that revenues of the Central and State Governments pick up rapidly and the actual accounts are generally higher than the revised estimates, the expenditure on the other hand is found not to rise that fast. It is, therefore, possible that the final estimate of savings in 1980-81 in the public sector will be higher than what is shown under quick estimates.

In para 3 of your article, a reference is made to the increases in savings rate during late 1970's unaccompanied by high economic growth. As rightly pointed out by you a Working Group on Savings under the Chairmanship of Prof. K.N. Raj has been set up to look into various aspects of savings and investment in the Indian economy and might throw light on the reliability of methods of estimation of savings and investment rates, their interpretative significance etc. I may also invite your kind attention to one of his articles (captioned—'Prospective Changes' which has appeared in '*Seminar*' December, 1979 issue) wherein he has expressed that the estimated increase in the overall rate of saving in the economy from about 12 per cent of the net national product in 1966-67 to around 20 per cent in 1978-79 can be accounted for fairly convincingly and does not appear to be a statistical mirage.

The write-up also gives an impression that savings in the household sector are mainly in the form of land and house construction. In fact, households savings are in the form of (i) financial assets and (ii) physical assets. The financial assets include their savings in currency, provident & pension funds, deposits, claim on government, life insurance funds and shares and debentures. The physical assets over household savings in the form of construction, machinery and equipment and stocks held by various constituents are included in the household sector and do not include lands.

While citing high investment of Rs 5406 crores of households in machinery and equipment in 1980-81 as compared to an investment of Rs 4061 crores in the public sector, it has been pointed out that household sector has attained a commanding level in the economy and not the public sector. In this context, it may be mentioned that in absolute terms public sector's investment in machinery and equipment has increased from Rs 678 crores (1970-71) to Rs 4061 crores (1980-81) i.e. almost six times while that of the household sector has increased from Rs 943 crores (1970-71) to Rs 5406 crores (1980-81) i.e. about five and a half times. The corresponding investment of private corporate sector has increased from Rs 516 crores (1970-71) to Rs 1660 crores (1980-81) i.e. about three times only. You will appreciate that in the Indian economy, household is a large sector and its share in machinery and equipment is likely to grow further owing to nourishing of small scale sector as a consequence of the government policy. Being a mixed economy, the aim need not always be increasing the role of the public sector.

You are hinting at the existence of black production and employment. This may be true to some extent and I think the Working Group on Savings headed by Prof. K.N. Raj might have been seized with the problem of parallel economy.

S.V. Pimparkar

Delhi

Department of Atomic Energy

Directorate of Purchase and Stores

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay-400 001, invites tenders as detailed below:

1.	DPS : R-5 : ENG : 696 Due on 19.4.82	Mild Steel balls 8 mm nominal dia. as per tender specifications—Qty : 17 Tonnes.
2.	DPS : HWP : ENG : 1491 Due on 30.4.82	Plunger for Pumps as per drawing and tender specifications—23 Nos.
3.	DPS : BARC : ENG : 15374 Due on 1.5.82	Supply and guarantee of galvanized C.S. and S.S. studs as per specifications—6,890 Nos.
4.	DPS : BARC : ENG : 15382 Due on 3.5.82	Fabrication of lead Bricks as per drawing and tender specifications —450 Nos.
5.	DPS : HWP : EEQ 393 Due on 3.5.82	Explosion proof, weather proof and rain water proof junction boxes as per purchasers' specifications for Heavy Water Project at Tuticorin (Tamil Nadu).
6.	DPS : BARC : ENG : 15405 Due on 5.5.82	Supply of soft and bright drawn S.S. filler wire in straight cut lengths of 1000 mm for welding S.S. type AISI 304 : L conforming to AWS/ASTM-ER-308L as per tender specifications.—Qty : 750 kgs.
7.	DPS : VEC : EEQ : 211 Due on 5.5.82	DC Filter Capacitor as per purchaser's specifications for Variable Energy Cyclotron Project at Calcutta.
8.	DPS : MHD : ENG : 89 Due on 6.5.82	Supply of EN 24 studs, bolts, washers and nuts as per tender specifications—883 Nos.
9.	DPS : NAPP : PPED : ELE : 84 Due on 10.5.82	Manufacture, Testing and Delivery of Copper Conductor Shielded Cable as per Tender Specification —Qty : 3 Kms.
10.	DPS : GEN : 1034 Due on 11.5.82	Hand Gloves stitched out of white cotton drill as per our sizes—24,720 Pairs.
11.	DPS : GEN : 1038 Due on 12 5.82	1 Turkish Towel white 55 x 112 cms—11,825 Nos. 2. Turkish Towel white 40 x 62.5 cms—10,968 Nos.
12.	DPS : TAPS : ELE : 1463 Due on 12.5.82	Control Cables heavy duty 1100 V. grade with stranded annealed copper conductor as per IS. 1554 and tender specification in various sizes—Qty 8000 Mtrs.
13.	DPS : GEN : 1039 Due on 13.5.82	Nylon Socks Black to IS-5084—4,770 Pairs. 2. Nylon Socks Grey to IS-5084—14,070 Pairs.
14.	DPS : VEC : ELE : 558 Due on 14.5.82	Strip Wound Cut 'E' core made from CRGO Silicon Steel, Grade-41 material as per tender specification - Qty : 1650 Kgs.
15.	DPS : RAPS : O&M : MIA : 139 Due on 17.5.82	Trip Unit Tester complete with Generator, Monitor etc.—1 No.
16.	DPS : NAPP : MIA : 66 Due on 18 5.82	Temp. scanners and indicating alarms having range 0-650°C with alarm set point accuracy ±2°C—Qty : 5 Nos.
17.	DPS : BARC : CAP : 4260 Due on 20.5.82	Self contained portable Plasma Cutting Set for cutting 25 mm thick stainless steel plate with a minimum speed of 30 cm/min. with nitrogen gas flow of 7.5 litres/min. and protecting gas (CO_2) flow of 75 litre/min. as per purchaser's specification—1 No. Torch suitable for the same—1 No.
18.	DPS : NAPP : PPED : PPF : 411 Due on 25.5.82	Supply of Stainless Steel Steam Traps as per purchaser's tender specifications —55 Nos.
19.	DPS : NAPP : PPF : 409 Due on 26.5.82	Supply of Cast Iron Safety Relief Valves Strainers and Traps as per purchaser's tender specifications—24 Nos.
20.	DPS : RRC : CAP : 355 Due on 26.5.82	Centifugal Pump Sets—Capacity : 600 l pm with Motor and Starter as per purchase'r specification—2 Sets.

Import Licence will be provided only if the items are not available indigeneously except items at Sl. No. 1, 7, 10, 11, 13, 15 & 16.

Tender documents priced Rs. 10 each for items Nos 5, 15 & 20 Rs. 25 each for item Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, 12, 13, 14, 17 & 18 Rs. 30 for item No. 19 Rs. 35 each for item Nos. 11 & 16 and General conditions of contracts priced 50 Paisa can be had from the *Finance and Accounts Officer Department of Atomic Energy, Directorate of Purchase and Stores. 3rd Floor, Mohatta Building. Palton Road. Bombay-400 001* between 10 a,m, and 1 p m, on any working day (except on Saturday). Tenders will be received upto 3 pm on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowes or any tenders in part or full without assigning any reasons.

davp 645 (532) 81

STATE OF THE ECONOMY

Industrial Output

The DGTD units, which account for a combined weight of 39.7 in the general index of industrial production, have achieved a growth of 11.5 per cent during the first month of the productivity year, i.e., January 1982, when compared to January 1981. The overall growth during the 10 months of 1981-82, i.e. April 1981—January 1982 averages at 11.0 per cent when compared to April 1980—January 1981. The analysis of production performance of 132 selected industries covering over 80 per cent of weight of DGTD industries reveal that 19 items have achieved growth of more than 25 per cent during April 1981—January 1982. There were 35 other items achieving growth in the range of 10 to 25 per cent. Fortysix industries recorded growth upto 10 per cent.

The sector-wise percentage growth achieved during April 1981—January, 1982 have been: Transport equipment (27.9%), manufacture of machinery (excluding electricals) (14.4%), manufacture of chemicals and chemical products (14.0%), manufacture of cement (15.1%), manufacture of electrieal equipment and appliances (9.3%), manufacture of paper and paper products (7.8%), and basic metal industries (5.1%).

The month has also seen not only a reversal in the negative trend of some of the industries like radio receivers, aluminium foils etc. for the first time in several months, but also improved trend in 17 of the declining industries. The performance in January 1982 gains added significance by the fact that the growth during January, 1981 itself was appreciable of the order of 10 per cent. This rise of 11.5 per cent over and above the growth during January 1981 indicates a sustained upward trend.

Rice Procurement

Rice procurement during the current season has surpassed all records. Till March 20, 1982, the total procurement, including levy due from Haryana and Uttar Pradesh, has been 63.91 lakh tonnes. This is 1.61 lakh tonnes more than the highest ever recorded procurement of 62.3 lakh tonnes in the entire procurement year of 1978-79. In 1980-81, during the corresponding period, the total procurement inclusive of levy due was 49. 79 lakh tonnes. The largest quantity—30.31 lakh tonnes has been procured in Punjab. Haryana's procurement till date has been 8.30 lakh tonnes and that of Andhra Pradesh 7 lakh tonnes. Uttar Pradesh has procured 5.65 lakh tonnes and Madhya Pradesh 3.15 lakh tonnes. The procurement of coarse grains is almost three times the quantity procured last year. As against 60,000 tonnes of coarse grains procured till March 20 last year, the quantity procured this year has been a little over 1.61 lakh tonnes.

Repayment of Gold Bond, 1980

Some holders of National Defence Gold Bonds, 1980 have not so far tendered their bonds at the repayment centres. To avoid any inconvenience to them, facilities for delivery of gold in repayment of these bonds at branches of the State Bank of India and its subsidiary banks have been extended up to September 30, 1982. However, as these elaborate arrangements cannot be continued for long, bond holders are advised to approach repayment centres for repayment of their bonds at their earliest. In case of any difficulty, they may write to the concerned Public Debt Office of the Reserve Bank of India.

Rupee-Pound Exchange Rate

The pound sterling has become cheaper by 10 paise following the upvaluation of the rupee by 0.59 per cent by the Reserve Bank of India. RBI has fixed the new middle rate at Rs 16.75 per pound against the earlier rate of Rs 16.85 per pound.

MRTP Amendment Bill

A Bill to amend the MRTP Act is expected to be introduced in the current session of the Parliament. This was disclosed by the Union Minister of Law, Justice and Company Affairs, Mr Jagan Nath Kaushal, at the meeting of the Members of Parliament of the Consultative Committee for the Ministry of Law, Justice and Company Affairs recently. The Minister pointed out that it would take some more time to amend the Companies Act which was a very comprehensive and complex legislation. Efforts were being made to finalise this matter also as early as possible.

Mr Jagan Nath Kaushal informed the members that this amendment bill was being brought forward with a view to remove certain constraints coming in the way of increased production and productivity. He further said that there was no harm in allowing private sector to operate where public sector, medium-scale industries and small scale industries were not coming forward. At the moment, Government felt that efforts have to be made to increase production in the core sector and also to help in modernisation of plant and equipment, he added.

Indo-Zimbabwe Cooperation

Dr Frederick Shava, Minister for Manpower, Planning & Development, Government of Zimbabwe, recently informed the Union Deputy Labour Minister, Mr Dharma Vir, that his Governmen would like to send people fo technical training in India The training could be at instructor level, technical and research level. At the end of the five-day visit, D Shava said that at technica level he could immediatel identify the field of printing hydraulic, banking and civi engineering. He was keen t further explore the possibilities of training in min engineering.

Dr Shava stated that h was impressed by the leve of skill available in this country and was keen to seek support for setting up of mode ITI, CTI and institute c technology in his countr with Indian assistance. Th details could be worked ou at Government to Government level. Mr Dharma V said that details of the typ of expertise and training fac lities available would be se to him so that the Government of Zimbabwe cou decide upon the training r quirements and training e pertise needed to set up mod training institute in Zimbabw by the Indian experts. I Shava said that he would keen to send a three-memb team of officials to India further study the requir ments of his country.

IDBI Association to Small Industries

National Small Industr Corporation Limited (NS has so far supplied machin worth more than Rs crores to over 17,000 sn scale industries (SSI) units hire purchase basis and programmes to in crease s assistance substantially du the Sixth Plan period. With a view to enabling NSIC to step up its assistance by way of supply of machinery on hire purchase basis to tiny and SSI units, IDBI has granted Rs 4 crores to NSIC by way of subscription to its ad-hoc bond in the form of a promissory note in favour of IDBI and guaranteed by the Government of India. It carries a concessional rate of interest viz. 10 per cent per annum and is repayable in 16 half-yearly instalments, commencing from December 1983. NSIC has been notified by the Government of India as a financial institution eligible for IDBI's assistance.

Landing Aids

Navigational, communication, landing and fire fighting aids worth Rs 54 crores have been proposed in the sixth Five Year Plan to be provided at various airports in the country. During 1980-85, navigational aids will be augmented and replaced at an estimated cost of Rs 10.48 crores. During this period 25 Very High Frequency Omni Range (VOR), 2 Doppler VOR, 10 Distance Measuring Equipment (DME), 5 Instrument Landing System. One Precision approach Radar (PRA) and 36 Non-Directional Reacon will be procured for airports.

Besides, high frequency and very high frequency air-to-ground communication and point-to-point communication equipments are being augmented and replaced at a total cost of Rs 20.6 crores during 1980-85. The Airport Surveillance Radar (ASR) at Bombay will be replaced by sophisticated modern equipment and the Air Route Surveillance Radar (ARSR) at Bombay will be provided with updatement kit during 1980-85 at a total approximate cost of Rs 6 crores. An amount of Rs 23 crores has been earmarked during the Sixth Plan period for improvement of facilities at domestic airports. The facilities include aircraft rescue and fire fighting services; visual landing aids, like high intensity runway lights and approach lights; anti-hijacking measures; and surface movement transport. Visual aids like High intensity runway lights and approach lights have already been provided at the international airports. Besides, Category II lighting system has been provided at Delhi airport and the same is being installed at Bombay airport also.

Electrification of Villages

Country will achieve cent per cent electrification over the next 12 to 13 years. There are 576,126 villages in the country, of which 277,895 villages had been electrified up to the end of September 1981. This works out to 48 per cent of villages. The perspective plan of the States provides for electrification of all the villages in the country latest by 1994-95 with adequate resources. This information was given by the Minister of State for Energy, Mr Vikram Mahajan in the Lok Sabha. The Minister said that an additional generating capacity of 19,666 MW has been targeted for commissioning in the country during the Sixth Plan period, 1980-85, for the purpose of meeting the projected demand of power in industries, agriculture and other sectors of the economy. The Sixth Plan envisages a target of elecrtifying 100,000 additional villages and energisation of 25 lakh pumpsets by the end of 1985. With these measures the growing demand of power for pumpsets and rural industries in villages will be taken care of, Mr Mahajan added.

Tourist Villages

An amount of Rs 20 lakhs has been earmarked during 1982-83 for setting up of tourist villages in the country. The salient features of a tourist village are that it should offer a welcome rest stop along highways and the driver or passengers of cars, buses and tourist coaches should be

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FORM II-A

[See rule 4A (1)]

Form of general notice to be given to the members of the public before making an application to the Central Government under Sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969.

NOTICE

It is hereby notified for the information of the public that J.K. Synthetics Ltd , Kamla Tower, Kanpur proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval for the establishment of a new undertaking for the production of Portland Cement with a capacity of 4.2 lakhs TPA. Other particulars of the proposed new undertaking are as under :

1. Name of the proposed undertaking. :	J.K. Aravalli Cement Works, a division of J.K. Synthetics Ltd., Kamla Tower, Kanpur.
2. Name (s) and person (s) or authority/authorities proposing to establish the new undertaking. Where it is body corporate, furnish details of its management structure together with those of the proposed undertaking :	J.K. Aravalli Cement Works, a division of J.K. Synthetics Ltd., Kamla Tower, Kanpur, a public limited company having a Managing Director under the supervision and control of Board of Directors.
3. Capital structure of the applicant person or authority and of the proposed undertaking :	

AUTHORISED	
Equity shares 2,50,00,000 of Rs. 10 each	Rs. 25,00,00,000
Cumulative Redeemable preference shares	
1,00,000 9.5% of Rs. 100 each	Rs. 1,00,00,000
3,00,000 11% of Rs. 100 each	Rs. 3,00,00,000
10,000 9.1% of Rs. 100 each	Rs. 10,00,000
90,000 unclassified shares of Rs. 100 each	Rs. 90,00,000
	Rs. 30,00,00,000

ISSUED, SUBSCRIBED & PAID UP	
Fully paid Shares Equity : 1,54,05,286 of Rs. 10 each	Rs. 15,40,52,860
Cumulative Redeemable Preference shares	
75,000 9.5% of Rs. 100 each	Rs. 75,00,000
1,00,000 11% of Rs. 100, each	Rs. 1,00,00,000
10,000 9.1% of Rs. 100 each	Rs. 10,00,000
	Rs. 17,25,52,860

4. Proposed location of the new undertaking ;	PADAM NAGAR Tehsil PINDWARA Distt. SIROHI (Rajasthan)
5. Brief outline of the cost of the project, the Scheme and source of finance: :	

COST OF PROJECT	(Rs. in lacs)
LAND	30.00
Building including Foundation	600.00
Plant & Machinery	2300.00
Pre-operative cost (including Rly siding etc.)	670.00
Margin on working capital	200.00
Total :	3800.00

SOURCE OF FINANCE	(Rs. in lacs)
Loans from Banks/ Financial Institutions/Public	2500.00
Suppliers' Credit	400.00
Stockists' deposit	100.00
Internal Accruals	800.00
Total :	3800.00

Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi within 14 days from the date of publication of this Notice intimating his views on the proposal and indicating the nature of his interest therein.

For J.K SYNTHETICS LIMITED
R S. BAJPAI
Secretary

Dated this day of 27th March 1982

able to get refreshment, toilet facilities, petrol and service facilities for their vehicle.

The village should make available inexpensive amenities including board and lodging in different categories. The tourist village stop-over should be at a focal point along the highway to serve as a base for visiting other tourist centres.

Expansion of Telephone Services

The Posts and Telegraphs Department has proposed to expand the capacity of telephone exchanges in Delhi by 47,300 lines in 1982-83 and 16,600 lines in 1983-84. In 1982-83 the Karol Bagh, Tis Hazari, Shaktinagar and Idgah exchanges will be expanded by 10,000 lines each. These exchanges will be imported Crossbar. The Hauzkhas and Janpath exchanges will be expanded by 1,600 and 1,000 lines respectively. 500 lines will be added to Chanakyapuri exchange. In the trans-Yamuna area, Ghaziabad, Shahdara and Shahdara East exchanges will be expanded by 2,000, 1,200 and 1,000 lines respectively during this year. In 1983-84 a 10,000 lines improrted Crossbar exchange will be installed at Chanakyapuri. 2,000 lines and 1,000 lines will be added to Janpath a and Shahdara East by ITI type Crossbar exchanges. The Faridabad, Ballabhgarh and Bahadurgarh exchanges will be expanded by 1,200, 1,500 and 900 lines respectively. These will be Strowger exchanges.

Citicorp Travellers Cheque at PNB

Citicorp US Dollar Travellers Checks are to be sold at select branches of Punjab National Bank. This announcement was made following the signing of a special participation arrangement agreement between Mr S.L. Baluja, Chairman & Managing Director, Punjab National Bank and Mr V.J. Menezes, Chief Executive Officer of Citibank, India. Citicorp US Dollar Travellers Cheques can be purchased by tourists and business travellers who are eligible to purchase foreign exchange. Citicorp Travellers Cheques are backed by Citicorp/Citibank, one of the world's leading financial institutions, with assets in excess of US $ 110 billion. Citibank Travelers Cheques are one of the world's most widely accepted travellers cheques. They are sold through over 45,000 locations in more than 150 countries all over the world.

Fazal Stresses Coal Gasification

Addressing a meeting of the industrial furnance division of the Association of Indian Engineering Industry in New Delhi this week, Mr Mohd. Fazal, Member, Planning Commission, urged the engineering industry to instal coal gasification plants in order to ultimately substituting imported petroleum-based fuels by coal, to improve industrial furnances technology, and to conform to delivery schedules of industrial furnaces comparable to those of other countries.

Industrial furnaces, he said, constituted a very important component of metallurgical industries like steel, aluminium and other non-ferrous metals, ferro-alloys, castings, forgings and a number of engineering, chemical and other industries critical in the areas of defence and railways. While most of the industrial furnaces, he felt, were now being produced indigenously, every effort should be made to adopt or adapt advanced technology developed elsewhere.

In view of the existing energy constraints, furnace designs, Mr Fazal stressed, should be improved through use of more efficient burners, enrichment of combustion air with oxygen, better insulation materials, and waste heat recovery. Inadequate availability of commercial energy, he observed, was perhaps the greatest external constraint on the industrial production. As there was a scope of 25 per cent reduction in consumption of furnace oil, the industrial furnace industry, Mr Fazal pointed out, had special responsibility to improve furnace design so that the energy consumption could be reduced to the minimum. He commended the "total energy concept" which, for example, envisaged that steam produced in a steel plant or a process industry could be utilised to produce captive power and then meet the needs for process steam. To a considerable extent, this concept was being followed in steel plants, fertilizer plants and some other industries. He suggested that waste heat from the fuel gases could be recovered in waste heat boilers to improve the overall thermal efficiency.

Flexible Packers' Plea

The Association of the Flexible Packaging Industries (AFPI) has sought total exemption from the levy of excise duties for all the inputs going into the manufacture of the flexible packages for vanaspati, edible oils, ghee and such other items. This is sought to be on the lines of the excise duty exemption granted for the inputs going into the long life packs of paper and polyethelene in the packaging of milk.

Briefing newsmen here last week, a spokesman of this newly constituted association said that the department of civil supplies was considering introducing of such flexible plastic-based packaging for the distribution of edible oils through the public distribution system. With the introduction of plastic pouches, the manufacturers of edible oils and ghee, he felt, would be able to offer a saving of one rupee per every one kilo pack over the existing rigid container of the same capacity. Even as compared to the loose sales, the consumers would be able to save as much as twenty paise. Besides, the consumers would be able to get rid of the three evils of loose distribution—adulteration, short-weighing and overpricing.

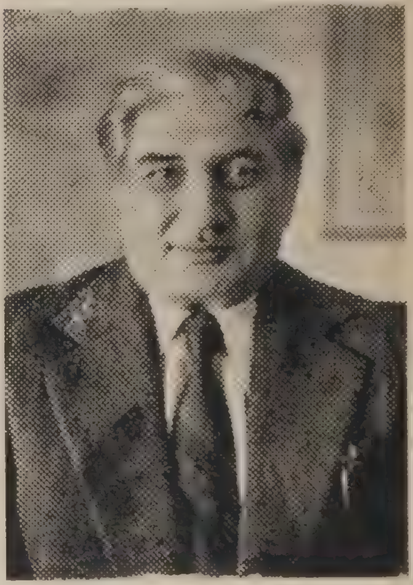
The spokesman said as no individual plastic meets the requirements of the pouch package, a combination of three or four films was required to achieve the desired quality, resulting in four to five stages of processing. Under the existing excise laws, duty is being charged at every stage of processing. This results in a snowballing effect.

The basic plastic resin as it is are being taxed at 50 per cent to 140 per cent and now even the conversions are attracting cumulative duties. The association has urged the Finance Minister to reconsider the exicise element for this industry.

Names in the News

Capt K. Chadha has been appointed Managing Director of Indian Airlines. Capt Chadha, now 54, held several senior posts in Indian Airlines during his 31 years of service with the air transport industry.

Joining the airline before nationalisation in 1951, he became Deputy Operations Manager, Indian Airlines in 1971 and Operations Manage in 1975. Later he moved t head the airline's Central Train ing Establshment, Hyderabad He was at the heaadquarter in New Delhi as Director Training and Planning unt his appointment as Deput Managing Director.



Capt K. Chadha

COMPANY AFFAIRS

OTIS Elevators

THE BOARD of Directors of Otis Elevators have recommended payment of a final dividend of Rs 1.10 per equity share, making a total payment of Rs 1.80 including the interim dividend of Rs 0.70 deolared earlier. Both the interim and the final dividend are to be paid on the enlarged capital, resulting from the issue of bonus shares during the year and amount to a payment of Rs 2.88 as compared to the payment of Rs 2.00 in the prevoius year. The total dividend distribution is at Rs 45.36 lakhs as compared to Rs 31.50 lakhs last year.

In spite of the company experiencing labour dissensions at the various locations, it is significant to note that it achieved a total turnover of Rs 1319 lakhs, very close to the figures of previous year. The company achieved an all time sales record in booking orders to the extent of Rs 2338 lakhs against Rs 1629 lakhs during the previous year showing an appreciable growth of 43 per cent.

Sales, export and service completions amounted to Rs 1319 lakhs as against Rs 1356 lakhs in the previous year. The turnover includes export completions of Rs 116 lakhs as against Rs 227 lakhs in the previous year, showing a shortfall of 49 per cent. Recession and interse competition coupled with unfavourable exchange rates, escalation in local costs and disruptions caused by industrial unrest are the main reasons for the shortfall in sales and export activities.

Efforts to control costs and improve productivity were partially successful. Higher depreciation and investment allowance reserve have left a lower net surplus available for distribution. The Directors have recommended a higher gross distribution at Rs 45.36 lakhs as against Rs 31.50 lakhs for last year.

Local demand for the company's products continues to be encouraging. Domestic sales booking for the year were at a record level of Rs 2338 lakhs as against Rs 1629 lakhs for the previous year, showing an appreciable growth of 43 per cent. The main reason for this spurt was booking of 69 units valued at Rs 440 lakhs for Asian Games projects at New Delhi and 13 units at Rs 123 lakhs for the World Trade Centre, Bombay. In addition there were several other major orders for quality equipment contributing to these record sales bookings. Export booking for the year were lower at Rs 101 lakhs as against Rs 118 lakhs in the previous year.

Hyderabad Allwyn

Hyderabad Allwyn has announced a final equity dividend of 6 per cent for the year ended July 1981, which together with the interim of 6 per cent makes a total of 12 per cent against 10 per cent in the previous year. Total income of the company during the year has gone up to Rs 31.45 crore from Rs 27.28 crore in the previous year and the gross profit to Rs 293.44 lakh from Rs 232.61 lakh. The proposed dividend will claim Rs 30.78 lakh (Rs 25.35 lakh). A sum of Rs 18.41 lakh (Rs 15.59 lakh) has been provided for depreciation and Rs 150.04 lakh (Rs 100.81 lakh) has been transferred to reserves. The company proposes to issue three lakh convertible secured refundable debentures of Rs 100 each.

ASE Bonus Issue Approved

Consent of the Controller of Capital Issues has been received by Ambalal Sarabhai Enterprises Ltd (ASE) for the issue of bonus shares in the proportion of one bonus share for every five shares. Bonus shares are being issued in the very first year of the company going public in addition to a dividend of 12 per cent. The company's public issue made last year was oversubscribed by about nine times and shares of Rs 9 crores were issued to to the public in March, 1981. The Company has about 140,000 shareholders.

The company has also offered secured convertible debentures to its existing shareholders on rights basis. The debentures will carry interest at 13½ per cent per annum plus one per cent linked with dividend. Total issue of convertible debentures is approximately 10 crores. Out of the face value of Rs 150, one-third will automatically be converted into five equity shares of Rs 10 each at par on July 1, 1983 without any premium. The issue has received encouraging respones and will close on April 17, 1982.

Peico Electronics

Sales for the year ended December 31 1981 were Rs 1488 million (1980—Rs 1199 million) an increase of 24.2 per cent over previous year. Gross profit before tax for the year after charging Rs 31.5 million (Rs 28.4 million) for depreciation and Rs 19.3 million (Rs 14.9 million) for interest amounted to Rs 183.3 million against Rs 155.5 million for the previous year. Provision for tax is Rs 116.0 million (Rs 98.0 million) Profit for the year after tax is Rs million (Rs 57.5 million). An amount of Rs 8.2 million ha been transferred to investment allowance reserve (Rs 6.(million), Rs 1.5 million have been released from development rebate reserve (Rs 1.8 million) and Rs 3.0 million from debenture redemption reserve (Rs 3.0 million). The profit available for appsopriation is Rs 63.6 million. The profit for the year before tax was 12.3 per cent of sales as compared to 13.0 per cent for 1980.

The Directors have recommended for approval the payment of a final dividend of Re 1.00 per share, subject to tax, which if approved, together with the interim dividend of Re 0.80 per share, subject to tax, will make a total gross distribution of Rs 32.4 million as compared to Rs 32.0 million for last year. After the propoed final dividend, the balance of Rs 31.2 million has been transferred to general reserve.

With a view to bringing the paid-up share capital in line with the capital employed ir the business, the Directors propose an issue of 3,600,00 equity shares of Rs 10 each as fully paid up bonus share in the ratio of one share fo every five shares, out of th share premium account an general reserve subject to th statutory approvals.

Hotel Siddharth Intercontinental

Hotel Siddharth Conti nental an approved Asiad '8 Project is fast coming u at New Delhi. The hotel i expected to be in operatio well in time before the Asia Games. The total cost of th project is Rs 990 lakhs. India Overseas Bank has sanctione Euro-dollar loan of Rs 30 lakhs. The Industrial Financ Corporation of India (IFCI Industrial Development Ban of India (IDBI), Industrial Credit & Investment Corporation of India Limited (ICICI) and Oriental Bank of Commerce (OBC) have sanctioned rupee term loans aggregating to Rs 305 lakhs. The balance Rs 380 lakhs is the equity capital of which Rs 200 lakhs has been arranged by the promoters and for the balance Rs 180 lakhs, the company is entering the capital market in the first week of May 1982.

The hotel will have 156 double rooms including suites, a 24 hours coffee shop, Indian/Continental restau rant, Chinese restaurant, bar, banquet/conference facilities, electronic telephone exchange with direct dial facility, swimming pool, health club, shopping arcade, 4 channel stereo music and 5 channel close circuit clour TV. The hotel will have all the modern amenities of a five star hotel.

Atlas Copco

The Directors of Atlas Copco (India) have recommended a one-for-one bonus issue and also maintained the dividend of 12 per cent for 1981.

The sales during the year amounted to Rs 25.10 crore against Rs 18.21 crore in the previous year and the gross profit is Rs 5.05 crore against Rs 3.34 crore, according to preliminary figures.

After providing Rs 40.66 lakh (Rs 30.51 lakh) for depreciation, Rs 2.84 crore (Rs 1.80 crore) for taxation, Rs 10 lakh (Rs 5.78 lakh) for investment allowance reserve and after taking into account Rs 9.51 lakh (Rs 6.65 lakh) being excess provision for taxes in the previous years, the balance works out to Rs 1.80 crore (Rs 1.24 crore).

Out of this, the proposed dividend will absorb Rs 29.01 lakh (same) and Rs 1.51 crore (Rs 95.42 lakh) is allocated to general reserve.

Oil India

Oil India Limited (OIL), a public sector undertaking, has declared a dividend of 15 per cent on its equity of Rs 28 crore for 1977 and 1978, consequent upon the closure of accounts for these two years. The amount payable to the Government of India on this account is Rs 8.40 crore.

Executive Director, Mr C.R. Jagannathan and Mr S.N. Bhat, Finance Director, will personally present the dividend cheque to the Union Minister for Petroleum, Chemicals and Fertilisers, Mr P. Shiv Shankar.

It may be recalled that the Government of India recently acquired 50 per cent share capital held by the Burmah Oil Company (BOC) in OIL. Though the transfer of shares took place in October 1981, it was agreed between the parties that dividend, if any, declared by the company would be payable to the Government of India with effect from January 1, 1977, even in respect of the shares

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CUSTOMS AND CENTRAL EXCISE,
Central Revenues Building,
New Delhi-110002

davp 81/360

held by the BOC and now acquired by the Government.'

Suessen Textile Bearings

The Directors of Suessen Textile Bearings propose to maintain the dividend of 20 per cent for the year ended September 30, 1981, on a capital as increased by the issue of bonus shares. The turnover has increased from Rs 11.13 crore to Rs 13.88 crore. The profit before tax has risen from Rs 1.03 crore to Rs 1.64 crore after providing Rs 78.80 lakh for depreciation (Rs 63.59 lakh) and Rs 30.70 lakh for investment allowance reserve (Rs 52 lakh). The provision for tax has gone up from Rs 30 lakhs to Rs 62 lakhs. It is said that the company's order book position is good.

May and Baker

The Directors of May and Baker have proposed to step up the equity dividend to 12 per cent for 1981 from 8 per cent paid for the previous year.

The company's gross profit has increased sharply to Rs 2.12 crore from Rs 85.32 lakh. Its sales have moved up by 17.5 per cent to Rs 23.13 crore from Rs 19.69 crore.

After providing Rs 37.47 lakh (Rs 33.38 lakh) for depreciation and Rs 97 lakhs (Rs 23 lakh) for taxation, the company's net profit amounts to Rs 77.93 lakh against Rs 28.94 lakhs. The proposed dividend will claim Rs 36 lakhs against Rs 23.45 lakhs.

Usha Alloys

The public issue of Usha Alloys and Steels Ltd of 90,000—13.5 per cent redeemable secured debentures of Rs 100 each for cash at par was subscribed by 9.39 times. Besides allotment of 48,645 debentures out of 60,000 debentures reserved for allotment on preferential basis to the Directors their friends associates and equity shareholders of the company, 101,355 debentures have been allotted to several applicants under public offer. The company has finalised the basis of allotment in consultation with the Calcutta Stock Exchange on March 19, 1982 and refund orders and/or allotment letters will be depatched shortly.

Beco Engineering

The Directors of Beco Engineering Company Limited have recommended a dividend of 15 per cent for the year ended December 31, 1981 as against 12 per cent paid in the previous year.

According to preliminary figures the company has earned a gross profit of Rs 59.91 lakh (Rs 64.35 lakh). Alfter providing Rs 17.70 lakh (Rs 15.96 lakh) for depreciation and Rs 10 lakhs (Rs 16.08 lakh) for taxation, net profit is Rs 32.21 lakh as against Rs 32.31 lakh in the previous year. A sum of Rs 6.26 lakh (Rs 5.03 lakh) for the dividend and Rs 7.20 lakh as against Rs 6.70 lakh for investment allowance has been provided. An amount of Rs 19.85 lakhs including development rebate reserve written back Rs 1.10 lakh (Rs 16.40 lakh) has been transferred to general reserve. The sales of the company were Rs 513.50 lakhs as against Rs 518.83 lakhs in the previous year. The sales of the rolled products were affected adversely due to power cut. However, the sales of machine tools and CI castings increased during the year.

Orson Video

Orson Video Private Limited, the first Indian joint-venture with Sony Corporation of Japan—the world leader in electronics, has completed its first year of successful operations in SEEPZ. This is the first time that Sony has joined hands with another company exclusively for software, anywhere in the world.

Reviewing the company's performance, Mr M.R. Chhabria, Chairman and Managing Director said that Orson Video has exported 100,000 pre-recorded video cassettes of Indian films to various countries in the Middle East, the Far East, Africa, the United Kingdom and the USA. The company has thus widened the market for Indian films and also earned valuable foreign exchange. In the nine months of commercial production, export earnings have crossed the Rs 20 million mark.

Orson Video cassettes are recorded exclusively on the world famous Betamax format, which has been proved by various independent tests abroad to be by far the technically superior system available in the home video market today. To ensure perfect picture quality, recording is done from the original film print using sophisticated, computerised equipment to make Orson Video one of the most technically advanced videorecording plants in that part of the world.

Till date video rights for over 250 Indian firms have been acquired—titles range from classics such as Baiju Bawra, Deedar to current box office attractions such as Angoor.

Looking to the increasing demand for quality pre-recorded soft ware, Orson Video has doubled its production capacity to produce 340,000 cassettes annually. Plans are also underway to sub-title Indian films into English, Arabic and other languages to reach larger audiences around the world. It will also undertake recording of films in various regional languages.

Amines & Plasticizers

The preliminary statement on the working of Amines and Plasticizers for the year ended December 1981 shows a marked improvement over the previous year. In spite of general recession and slackness in the cable industry which consumes a major portion of the production of phthalate plasticizers, one of the products manufactured by the company, the turnover
has been slightly higher
Rs 11.80 crore against
11.31 crore in 1980. The
fit before depreciation
interest works out to
154.57 lakh against Rs 12
lakh. After providing Rs 2
lakhs (Rs 18.68 lakh) for
preciation and Rs 36
(Rs 17 lakh) for taxation
after making some adj
ments, the available sur
for 1981 works out to
46.90 lakh against Rs 5
lakh for 1980. The c
pany has announced
equity dividend of 15 per c
for the year which is paya
on the enlarged capital
Rs 2.40 crore following
right issue of one-for one

The company has alre
taken up the production
other speciality phthalate p
ticizers for which a letter
intent has been issued by
Government. It is going ah
with the proposal for putt
up a morpholine plant. La
for the manufacture of ind
trial gases has been purcha
in Raigad district at Vad
village (Maharashtra).

Ranbaxy Laboratories Debenture Issue

Ranbaxy Laboratories p
poses to issue 2,25,000 secu
convertible debentures
Rs 200 each at par for a t
sum of Rs 4.50 crore to fina
partly its expansion
diversification programme.
terest, to be payable h
yearly, will be 13.5 per c
per annum with an addi
nal interest of one per c
linked with equity divid
of 12 per cent, or ab
Twenty-five per cent of
face value of the debent
will be convertible into
equity shares of Rs 10 e
at par within 15 months
the allotment of deb
tures. The balance am
of debentures will be re
able in three equal instalm
on December 31, 1989,
and 1991. The company
poses to reserve a portio
the debenture offer for
ferential allotment to
shareholders, employees
depositors.

eastern
ECONOMIST

Vol. 78 No. 14 APRIL 9, 1982

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This Week

March 31

Britain proposed to provide financial aid worth Rs 2.6 crores to the Agricultural Refinance and Development Corporation (ARDC).

The British Government has agreed to contribute its full share to IDA-VI and also to cooperate with India in persuading other donors to do likewise.

The total subscription to the three Government of India loans—six per cent loan 1995 (second issue), 6.75 per cent loan 1991 (second issue) and eight per cent loan 2011 (fifth issue)—amounted to Rs 445.5 crores.

April 1

In a major policy shift, the Union Government announced its decision to discontinue the practice of administered prices for steel with immediate effect.

The Ruling Left Front finalised the allocation of seats among its partners for the ensuing elections to the West Bengal State Assembly.

April 2

Argentine Military Government announced that the country's armed forces had recovered the British-administered Malvinas (Falklands), South Georgia and South Sandwich islands "through a successful military operation".

Jammu and Kashmir Chief Minister, Sheikh Abdullah, has reiterated that the areas of the Kashmir occupied by Pakistan was legally and constitutionally a part of India.

Faced with the acute shortage of funds for modernisation and development, the Railways have sought permission to raise additional resources from capital markets abroad.

April 3

India and Afghanistan have decided to reactivate their joint commission for economic cooperation which is likely to have its first meeting in May or June.

The Union Government has appointed a five-member study group to formulate a comprehensive plan for movement of foodgrains in the country from the surplus States to the deficit States.

April 4

The Board for Agricultural Machinery and Implements is being revived. The new board will co-ordinate and monitor the various developments in the field of innovation and improvement of agricultural machines and implements, their standardisation, quality control, manufacture and distribution arrangements.

The detection and deportation of post-1971 entrants into Assam from across the border had been intensified as per the advice of the Union Government, according to a State Government official.

April 5

British Foreign Secretary Lord Carrington resigned over the debacle of Argentina's seizure of Falkland Islands. Humphrey Atkins, Deputy Foreign Secretary and Richard Luce, Minister of State at the Foreign Office in charge of Latin America also sent their resignations to Prime Minister Thatcher which she accepted.

As many as 100 items of raw materials and components have been allowed to be imported under OGL, 38 items have been taken out of OGL including five of capital goods, and the import of eight items has been canalised and six taken out in the new import and export policy for 1982-83, which aims at maximising production, especially in the small scale sector, and providing stimulus to exporters.

April 6

Lok Dal President Charan Singh announced his retirement from political life. Charan Singh, however, said that he would retain his seat in the Lok Sabha.

The pound sterling has become cheaper by 10 paise following the upvaluation of the rupee by 0.60 per cent by the Reserve Bank. RBI has fixed the new middle rate of Rs 16.60 per pound against the earlier rate of Rs 16.70 per pound.

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ECONOMIST

Imports : Further Liberalisation

A GOOD deal of satisfaction has been expressed by the industry circles on the import policy for the current financial year announced in Parliament on April 5. In line with the trend since 1978 and the indication given by the Finance Ministry after the budget that foreign exchange resources were envisaged to be drawn down further by about Rs 2,000 crores this year, substantial liberalisation has been effected in imports.

Ostensibly, this may look paradoxical in view of the over Rs 5,790 crores trade deficit in 1980-81 and an expected gap between imports and exports of over Rs 5,500 crores last year. Yet there was enough justification for continuing with liberal imports. There are four pressing needs of the economy at present. First, no doubt the rise in prices, measured in terms of the wholesale prices index, had been contained, on point-to-point basis, during the 12 months to March-end to just 1.8 per cent, as against over 16 per cent in the previous year and around 23 per cent in 1979-80, close vigil has to be kept on the prices front lest serious inflationary trends should re-emerge. Second, following the economic recovery over the past 18 months, after a serious setback in 1979 and early 1980, the scope for further sizeable improvement in production from the existing facilities has narrowed down. If, therefore, somewhat satisfactory growth in industrial output, around eight per cent, is to be maintained, investment in the econ has to be accelerated. Third, exports have to be multip fast in the longer term perspective of establishing a reason balance in external trade. This not only requires keeping the tempo of production so that larger exportable sur can be obtained but also greatly strengthening of the econ in general and the industrial sector in particular. Then, growing obsolescence has to be obviated and techno updated all along the line.

This year's Union budget was designed by Mr Pr Mukherjee precisely against the backdrop of these impera The new import policy supplements the budget and ai stimulating production, investment, exports and techn upgradation. It also goes to meet to some extent the for simplifying and streamlining licensing procedures.

The fiscal attack on the prices front proposed Mr Mukherjee basically was two-pronged—containin deficit financing to around Rs 1,365 crores (significantl than in 1981-82) and stimulating production of 38 (mostly raw materials and equipment and some fi products). The excise relief which he gave on some ite common use, of course, was minor. The monetary is being kept in the form of tighter credit policy, although some relaxations in it are being thought of for meeting more or less fully the production requirements. The new import policy provides for expeditious arrangement of the desired imports as well as greater access to imported raw materials and equipment so that healthy production trends can be maintained, if not accelerated. Should the recent improvement in infrastructure be maintained and the monsoons behave, the attempts at raising production, along with the containment of deficit financing and money supply with the public indeed can help in keeping inflation within control.

Production in general is envisaged to be assisted through the new import policy in various ways. The most important provision made is the allowing of imports of 100 new items of raw materials and components and 85 items of capital goods under Open General Licence, most of them by actual users but some by others also for the benefit of small units. These include iodine, mercury, ivory unmanfactured, polypropylene film, DMT, high speed steel of certain specifications, copper-berylium strips, zinc dust/granulations, nitric acid, channel black, geranium oil, calcium silicide and various other chemicals, components for telecommunication and electronic equipments, man-made fibres/yarns, PVC resins, raw wool, woollen rags, synthetic rags, shoddy wool, soda ash, caustic soda, drugs/drug intermediates, dye intermediates and all components of engineering goods, metal scraps like those of brass and copper, wattle extract, etc. Machinery items permitted to be imported under OGL will benefit primarily electronics, textiles, dairy, chemicals, printing and gems and jewellery industries. This list has been drawn up taking into consideration indigenous availability. In view of the improved availability of equipment and raw material supplies from indigenous sources, five items of capital goods and 31 items of raw materials have been taken off OGL and either banned or put on the list containing items imports of which are to be permitted on a limited scale. These include certain, machine tools, industrial X-ray films, graphic art films, caprolactum, ball pen inks, lead alloys, aluminium extrusions, drug intermediates, crimping, texturising and draw-texturising machines, bearings, alternators upto 1,000 KVA, rubber hoses, etc. Imports of some items have been banned.

Imports against actual users (industrial) automatic licences for raw materials, components and samples upto rupees one lakh have been allowed on a repeat basis. This facility has been extended to export-oriented units under certain conditions. Some inflation-indexing has been done in automatic licences. The use of such licences has also been made more flexible. The import requirements of small-scale units, industrial undertakings in the backward areas and the ship-building industry are to be especially catered for. Regional authorities have been provided enhanced powers to allow imports of capital goods. Imports of diesel generating sets too have been liberalised somewhat.

The modifications effected in the import policy for the benefit of exporters are even more significant. The approved 100 export-oriented units have been allowed to import all their requirements under OGL. Actual users exporting 25 per cent or more of their production of select products have been permitted to utilise their supplementary licences to enhanced values on repeat basis. Manufacturer-exporters have been allowed greater flexibility in the utilisation of their replenishment licences. The duty exemption scheme has been extended to manufacturers of intermediate products if these products are supplied to export units against advance licences for the production of ultimate export products or to an industrial unit in the free trade zone. Imports of raw materials and components required for the manufacture of goods to be supplied against IDA/IBRD aided projects in India are to be treated at par with exports. The scope of duty-free scheme for imports against REP licences has been substantially enlarged. Imports by export and trading houses have been liberalised in various ways.

Technology imports are to be particularly facilitated. The value limits of imports for technology upgradation have been doubled. Imports of technical designs, drawings, etc., against REP licences up to Rs 5 lakhs would be allowed without prior clearance from the DGTD. Special consideration is to be shown to imports for development of technology which can help in energy conservation, production and cost efficiency.

Of particular significance for promoting investments and attracting large investible funds from non-resident Indians is the provision made in the policy under which non-resident Indians have been allowed to import under OGL the entire machinery for putting up facilities for the production of various electronic items without the need for indigenous clearance if it has been purchased out of their own foreign exchange earnings abroad. Doctors and highly qualified scientists have been permitted to import equipment used by them at least for a year abroad irrespective of its value. Imports of banned types of capital goods too will be allowed where such goods have been used by non-resident Indians at least for one year abroad or if the c.i.f. value of such machinery to be imported is not more than 10 per cent of the total value of machinery being imported. Imports of generating sets of above 500 KVA rating by non-resident Indians will also be allowed. They will, however, not be permitted to import texturising machines, warp knitting machinery and second-hand paper mill machinery.

The increase in the import bill as a sequel to the liberalisations effected is expected to be offset by the rise in exports by 15/20 per cent. This, however, is a moot point. A close watch will have to be kept on imports under OGL. A major dent on the import bill, of course, can be made through endeavours at raising the production of such items as crude oil, edible oils, fertilizers, ferrous and non-ferrous metals, cement and paper for which there is considerable scope.

Elusive Steel Targets

NOTWITHSTANDING NEW peaks having been attained in the production of saleable as well as ingot steel by the five integrated works of the Steel Authority of India (SAIL) during the year just gone by, even the originally set targets in both respects have proved elusive, not to speak of the scaled up targets under the mid-year review. The SAIL plants at Bhilai, Bokaro, Rourkela, Durgapur and Burnpur yielded during the year 5.652 million tonnes saleable steel—280,000 tonnes more than the previous best of 5.372 million tonnes output in 1976-77 and 885,000 tonnes more than the 4.767 million tonnes yield in 1980-81. Ingot steel output at 6.64 million tonnes exceeded the 1976-77 peak of 6.52 million tonnes by 120,000 tonnes and the 5.48 million tonnes production in 1980-81 by 1.16 million tonnes. Originally, production to the tune of 5.7 million tonnes saleable steel and 7.2 million tonnes ingot steel was expected from these plants. Production trends during the five months to August had emboldened the SAIL to raise these targets to 6.3 million tonnes and 8.01 million tonnes, respectively.

The shortfall from the expected levels of production has been attributed mainly to inadequate and also irregular supplies of power and coal. In terms of the original targets, the coking coal requirements of the five steelworks were put at 13.57 million tonnes. The plants, however, received only 12.12 million tonnes. Not only imports grievously fell short of anticipations due to delayed shipments from the USA and Canada but also supplies from indigenous sources failed to come up to anticipations. A significant improvement in the supplies during the terminal two months of the year is an indication of stringent supplies especially after August till when they were well maintained. Inadequate power supplies from public utilities are estimated to have led to a loss of 290,000 tonnes saleable steel output. Whereas Bhilai faced major power restrictions in May, June, September, January and February, Rourkela encountered major curbs after December. Power supplihs to Bokaro, Burnpur and Durgapur were restricted during June and July and again in February and March. That these constraints should have continued for several months during the year despite close monitoring at the highest level and power generation and coal raisings scaling new peaks, surpassing the targets set, indeed is intriguing, particularly when note is taken of the fact that TISCO has yielded during the year an all-time record saleable steel output at 1.605 million tonnes, representing over 105 per cent of its installed capacity. May be, coal and power supplies to TISCO have been somewhat better than to the SAIL plants. But, still, lags in production at the SAIL plants cannot be explained away entirely by stringency of power and coal. Strangely enough, the SAIL authorities have refrained from attributing lags in production to such other factors as tight supplies of some other raw materials and transportation bottlenecks. Operational efficiency too perhaps has been less than desired.

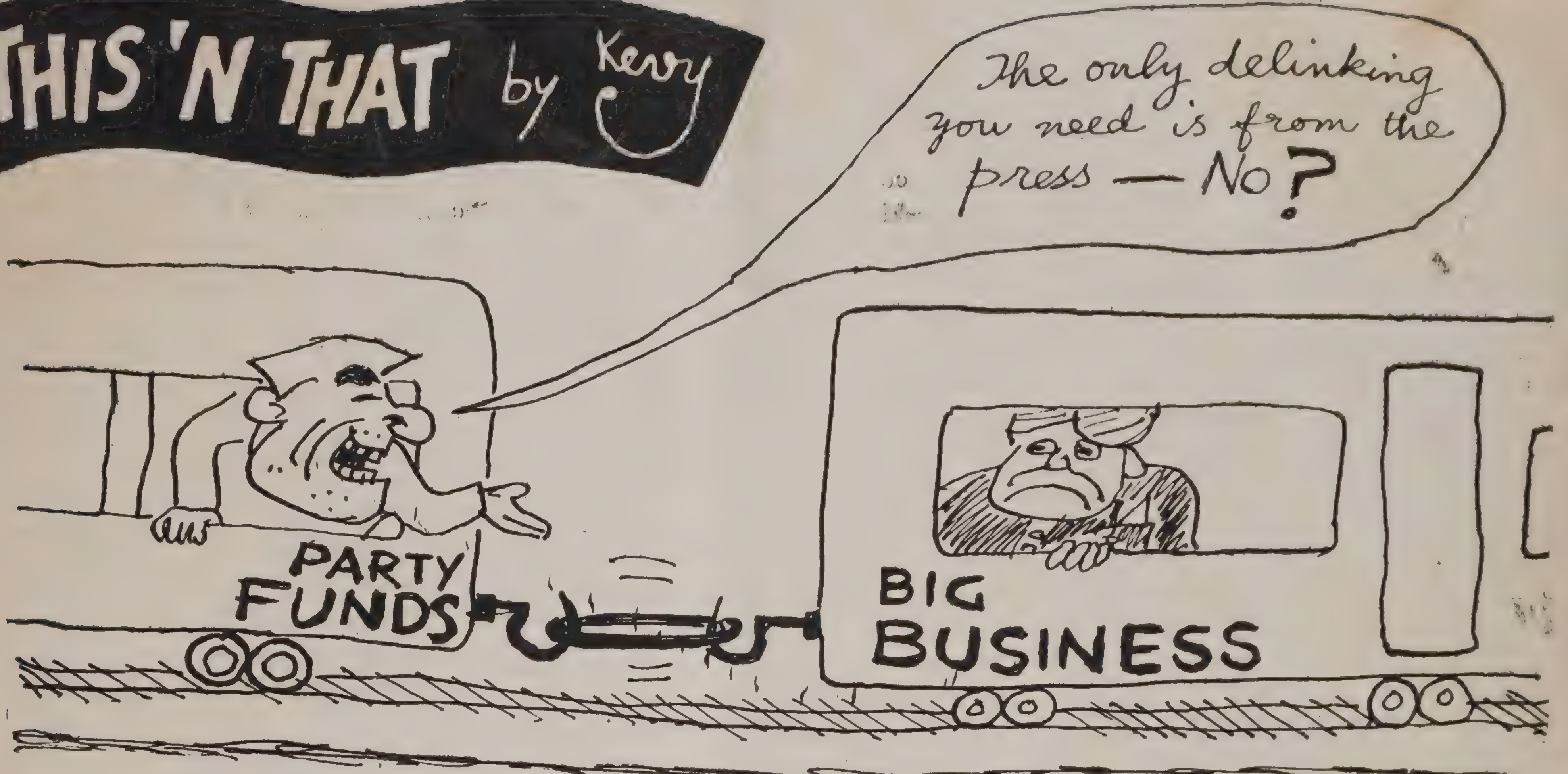
It, of course, is gratifying that the overall availability of steel at 9.87 million tonnes last year was better by 1.11 million tonnes in comparison with the previous year. While increased domestic production contributed not insignificantly towards this development, imports had to be taken resort to in a large measure. Canalised imports through SAIL alone were around 1.05 million tonnes. Approximately a similar tonnage was allowed to be imported under Open General Licence. A 15 per cent increase in the production of SAIL plants is envisaged during the current financial year. Yet steel imports are programmed at 1.8 million tonnes to maintain easy availability.

To achieve the 1982-83 target, the SAIL plants will be requiring 15.6 million tonnes of coking coal. Indigenous supplies will have to be raised to 7.75 million tonnes of prime quality coal, 6.65 million tonnes of medium grade and 0.997 million tonnes of blendable quality. Imports will have to be around 1.2 million tonnes of prime quality. The captive power plants of SAIL will need another 2.82 million tonnes of coal. Including TISCO's requirements, the domestic supply of coking coal will have to be increased to 16.9 million tonnes. The build-up of stocks at the SAIL plants beyond the critical level to 350,000 tonnes should enable coal suppliers to brace themselves up to meeting steel industry's requirements fully. Power requirements from public utilities for the SAIL plants have been estimated at around 380 MWs. The railways will be required to transport an estimated freight of 52 million tonnes, of which 40 million tonnes would comprise major raw materials to be brought to the plants. These are gigantic tasks, entailing strenuous efforts on the part of suppliers.

Significantly enough, the planning of steel imports has been brought under the purview of the Iron and Steel Controller so that the temptation of the canalised agency, which itself is a producer, to go slow on imports in the interest of pushing its own sales can be obviated. Imports of some special types of steel which are either not produced indigenously or whose domestic production is inadequate have been liberalised in this year's import policy. Though welcome, large-scale imports cannot be continued for long in view of the pressures on the balance of payment position.. Domestic production, therefore, has to be expanded fast. The steel industry's raw material requirements will go up further substantially from next year onward when expansions of Bokaro and Bhilai plants materialise in stages and the Durgapur and Burnpur as well as Bokaro works are geared to substantially increased capacity utilisation. It can only be hoped that adequate attention will be paid by the concerned authorities to contain the constraints on inputs of steel plants.

The financial viability of steel industry, of course, should improve materially this year as a sequel to the decision of the Government to discontinue the practice of administered prices. Henceforth, prices of pig iron and all categories of steel will be determined by the Joint Plant Committee without prior approval by the Government. The new system can be expected to impart greater realism in the pricing of steel and enable larger generation of internal resources for modernisation and expansion.

THIS 'N THAT by Kevy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PARTY FUNDS
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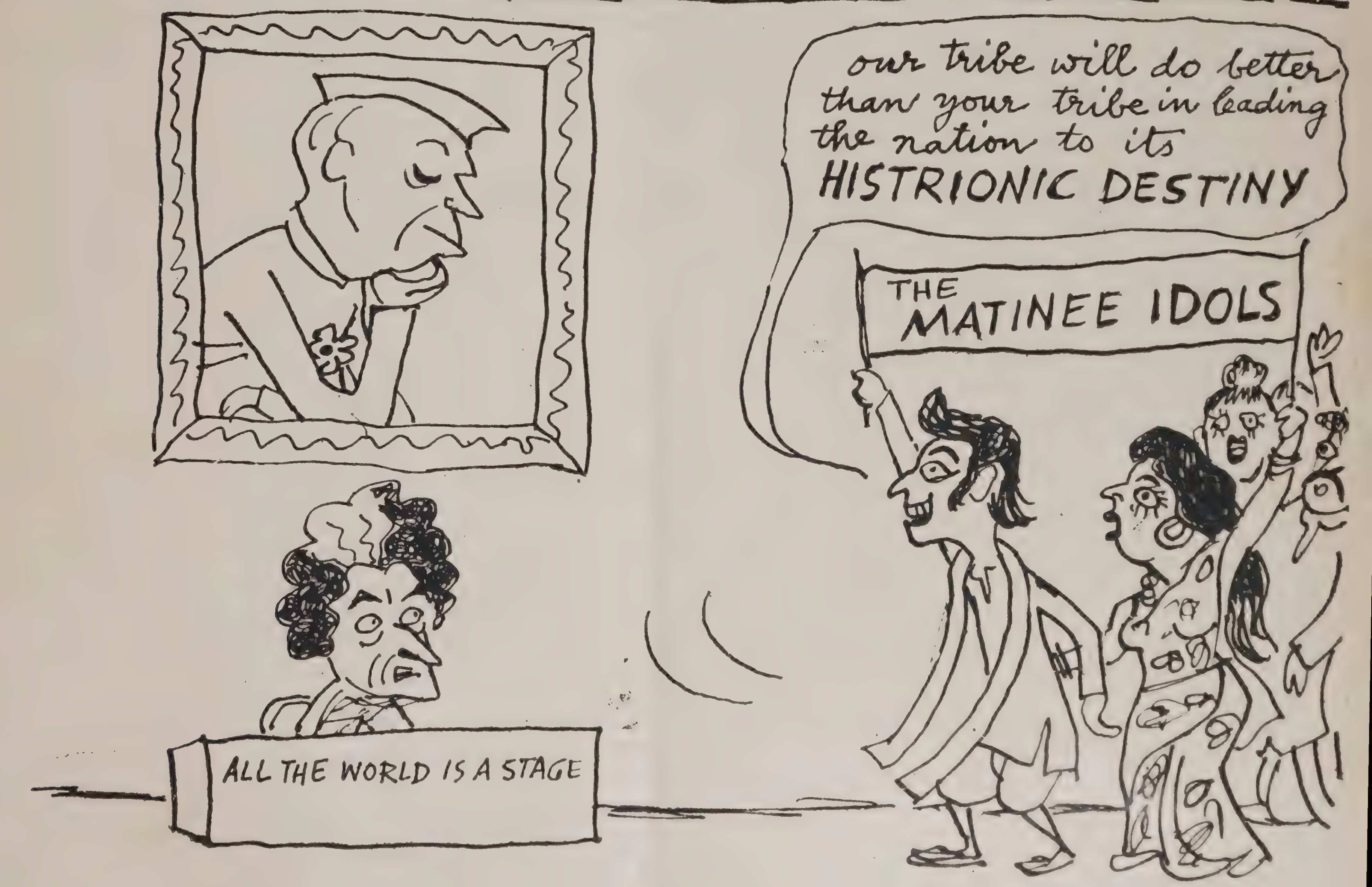
our tribe will do better than your tribe in leading the nation to its HISTRIONIC DESTINY
THE MATINEE IDOLS
ALL THE WORLD IS A STAGE

Profitability and Productivity in Banks

K. K. Ammannaya

THERE IS a general complaint that profitability of banks has been declining constantly after nationalisation. The earnings of banks, on the one hand, are declining on account of deployment of funds in low-yielding advances, viz., food procurement, priority sector advances and advances under DIR scheme, while on the other the wage bill goes on increasing on account of rising prices and the massive recruitment of additional staff by banks during the seventies to support their branch expansion plans. To add to this, banks had to implement the Third Bipartite Settlement and PCR as a result of which the establishment charges increased considerably. The estimated additional financial burden on account of implementation of PCR alone was estimated to be over Rs 3,186 lakhs. The net result was that profitability of banks was at a low ebb. During the eighties, banks have to continue to play their role in the welfare of the community. Unless banks ensure that they do not impair their commercial character, it will be difficult for them to earn adequate profits and maintain the required measure of operational efficiency.

Community Banking

Today's banking is 'Community Banking'. Banks are now called upon to play an increasingly important role in financing economic development and promoting the welfare of the weaker sections of society. In the past it was enough if banks had taken care of the traditional canons of investment, viz., liquidity profitability and safety. In the context of the new role that banks have got to play in promoting economic development and fulfilling the expectations of society at large, they have to take care of the canon of social purpose as well.

It is argued in some quarters that profitability and social purpose cannot go together. But in spite of their role in financing priority sectors and contributing to the promotion of the welfare of the common man, banks are still profit-seeking institutions. They have to earn reasonable profits to make a contribution to the central exchequer. The Government will be assessing the operational efficiency of banks still by means of the yardstick of profitability. Hence, it is necessary for banks to maintain their profitability by judicious allocation of credit among various sectors and by striking a mean between profitability and social purpose. Profitability aspect cannot be ignored or disregarded while measuring the operational efficiency of banks, It is always mentioned that priority sector advances are the cause for low profitability. But priority sector advances as such cannot and should not be a burden on profit-earning of banks.

Planned Activity

It is possible for banks to maintain profitability if they plan their activities so as to increase their earnings and at the same time eliminate all types of wastages. Sharper focus on improved productivity, useful insights into control of cost, market share and opportunities to enhance profit margins will in the current decade help to increase earnings of commercial banks. Hence close and intelligent monitoring of income, cost and profitability will be of supreme importance in the days ahead.

Unless banks maintain a commercial approach in their operations it will be impossible to assess and see whether they are utilising their resources in the best possible manner. Optimal utilisation of resources including human resources is the only means to maintain operational efficiency and improve profitability and productivity.

Low productivity is definitely a reason for low profitability. The rate of growth of profits of scheduled commercial banks fell to 20 per cent in 1980 as against 21.7 per cent in 1979, according to a study made by the Reserve Bank of India. Banks earned a profit of Rs 52 crores during 1980 after providing for taxation and bonus to staff. In absolute terms, they maintained an increase of Rs 9 crores in 1980 when compared to previous year, but there had been a deceleration in the rate of growth of profits.

Growth Rate

The growth rate of profits of State Bank group and 14 nationalised banks stood at 18.1 per cent and 23.6 per cent, respectively, during the year. This was higher than the rates of profits of 15.1 per cent and 21.6 per cent respectively for the previous year. The percentage of the rate of growth of profits of the remaining bank groups during 1980, however, was lower than in the earlier year. The rate of growth of six banks nationalised on April 15, 1980, was as low as 6.3 per cent in 1980, as against 16.7 per cent in the previous year. The total earnings of banks rose by Rs 871 crores (plus 26.8 per cent) during 1980, as compared with an increase of Rs 639 crores (plus 24.5 per cent) in the previous year. Reflecting partly the impact of an upward revision in the lending rates structure in September, 1979, interest and discount earned rose by Rs 799 crores (plus 28 per cent) as against an increase of Rs 578 crores (plus 25.4 per cent) in the previous year. The increase in expenditure during 1980 of Rs 829 crores (plus 26.9 per cent) was larger than that in the previous year of Rs 631 crores (plus 24.5 per cent). The rise of Rs 612 crores (plus 29.9 per cent) in interest paid on deposits, borrowings and the like during 1980 was higher than that of Rs 417 crores in 1979. The larger outgo under this head was partly attributed to the hike in interest rates of deposits in 1979.

The establishment expenses rose by Rs 170 crores (plus 20.5 per cent) as against Rs 162 crores (plus 24.3 per cent) in the previous year.

The cost pushing wage bill may be cited as one of the reasons for declining profitability and increasing establishment expenses. Banking industry is a highly labour-intensive industry. Wage bill in banking industry is a major component of total cost structure. The increase in dearness allowance on account of increase in prices and massive recruitment of additional staff are the major reasons for the considerable increase in wage bills of banks. Staff strength in banks increased considerably. Additional staff recruitment was not based on any proper assessment of staff requirements. The accent should have been on optimum staffing in banks. But banks recruited additional staff without any regard to the needs as assessed in the light of the principle of optimum staffing. The number of hands recruited by banks in recent years is more than the proportional increase in their business. The implementation of the III Bipartite Settlement and PCR also led to increase in establishment expenses. Table I indicates the volume of business and staff position in various banks.

The increase in staff strength in banks can be seen from Table I. We may observe that there was operation of the law of diminishing marginal returns for every additional employee recruited by banks.

As a result of fast increase in staff strength, productivity of employees deteriorated. Productivity can be defined as the output per unit of a factor of production in a given period. Productivity index, thus, tells us something about the relationship between inputs and outputs in an enterprise. In a banking institution staff members constitute the most important input. Because of this fact the concern for improving productivity has to be focussed on staff productivity alone. Several approaches are available for measuring productivity. The deposits mobilised, credit extended and money remitted are the three major outputs in banking institutions. Banks use these outputs to arrive at global indices of productivity such as per employee deposits, per employee advances, per employee profit, per employee remittances, etc. The productivity ratios in respect of various banks are available in Tables II and III. Since the increase in business was not proportional to increase in staff it meant division of less business (deposits or advances) by more number of staff. As a result per employee deposits, advances per employee, etc., are very low.

The Bank of India, which had per branch deposits of Rs 2.34 crores in 1969, was the first in per branch deposits in 1969. The said bank had pe branch deposits of Rs 1.65 crores ir 1978 which was the highest among th nationalised banks. The Bank of Barod had second place in per branch deposits in 1969 with per branch deposits o Rs 0.83 crores which rose to Rs 1.44 crores in 1978. Bank of India had first place in per branch advances in 1969 with per branch advances of Rs 0.91 crores which rose to Rs 1.01 crores in 1978 and the Bank maintained the position. Bank of India had second place in per branch advances also. Bank of Baroda had per employee deposits of Rs 8.26 lakhs in 1979 and Rs 10.02 lakhs in 1980. Bank of Baroda had per employee deposits of Rs 8.07 lakhs in 1979 and Rs 9.02 lakhs in 1980. The Punjab National Bank which had per employee deposits of Rs 7.96 lakhs in 1979 improved it to Rs 9.15 lakhs in 1980 In 1980, December end, Bank of Baroda had first place in per employee deposits and per employee advances.

The per employee deposits were the highest in Bank of India in 1969 with Rs 3.96 lakhs which rose to Rs 7.25 lakhs in 1978. But Bank of Baroda had highest per employee deposits in 1978 with Rs 7.23 lakhs. Punjab National Bank with per employee deposits of Rs 3.12 lakhs stood second in 1969 whereas in 1978 regarding per employee deposits

TABLE I

Volumes of Business and Staff Position of Nationalised Banks

Banks	1969					1978					1979				
	D	A	O	C	S	D	A	O	C	S	D	A	O	C	S
BOI	436	296	2202	6189	2629	2081	1293	5936	16602	6058	2432	1481	6013	17626	6519
BOB	355	234	1997	5911	3071	2012	1237	6536	1568	6114	2423	1429	7456	15489	6398
CBI	501	354	3094	10479	5624	2000	1241	8761	17357	8205	2335	1386	9492	16912	7951
PNB	391	227	1733	7097	3916	1717	1022	5017	12965	7119	2162	1228	5768	13873	7537
CB	185	125	1242	4725	1231	1361	845	4890	15450	3725	1572	1021	5629	16707	4083
UCB	258	163	1494	4632	2146	1236	791	5643	9997	4878	1493	917	5002	10603	5209
SB	145	105	1450	3605	817	1096	673	5629	13942	2763	1310	819	5860	15302	3068
UBI	133	87	1030	3822	1837	1016	617	5631	10782	4435	1208	714	5876	11656	4792
UNBI	168	118	833	3546	1716	1018	574	3302	8064	4064	1220	703	3235	8230	4274
IOB	90	56	678	2181	758	907	555	3068	7782	2245	1153	727	3381	9359	2345
IB	90	65	779	1843	1086	803	502	3078	7133	2516	980	591	3366	7887	2656
DB	136	86	1013	2956	1324	639	400	2964	6247	2768	754	451	2940	6442	2921
BOM	87	65	621	1663	715	562	364	2147	4593	1996	690	420	2302	5896	2127
AB	25	86	3900	2437	1400	573	347	223	5488	2909	729	407	2345	5787	3089

D—Deposits in Crores; A—Advances in Crores; O—Officers; C—clerks S—Sub-staff.

Bank of India had the second place. The figures of the per employee deposits and advances for all nationalised Bank were Rs 2.86 lakhs and Rs 1.90 lakhs in 1969 respectively and they rose to Rs 6.07 lakhs and Rs 3.75 lakhs respectively in 1978. Out of 14 banks the per employee deposits of 7 banks were less than the average for nationalised banks in 1978.

Similarly in respect of credit also there were 8 banks with per employee advances of less than the average for the nationalised banks. Bank of India had the highest per branch employees in 1978 i.e., 23 employees which was less than the figure of 1969 which was 34. Central Bank of India occupied the second place.

Per branch accounts, per employee acounts, etc. will also serve as useful indices of productivity. Deposits per rupee of establishment cost and credit per rupee of establishment cost are also very useful indices for measuring productivity. The table given elsewhere gives adequate information in this regard (see Table IV).

In 1979, Bank of Maharashtra, Allahabad Bank, Dena Bank, Union Bank of India, Syndicate Bank, Canara Bank and Punjab National Bank had per employee deposits less than the average of nationalised banks. Table II gives greater details in this regard.

All the banks having per employee deposits and per employee advances less than the national average should put in concerted and constant efforts to raise productivity upto the level obtaining in the banking industry. There should be a target date for this and definite results should be achieved from time to time in this regard as per a time bound programme. Only thus can we improve the productivity level of banking industry as a whole.

There is no ceiling upto which productivity has to be improved. Since productivity in banks is very low, we should put in very serious efforts at improving productivity. Improvement in productivity should constitute an important parameter in the performance budgets of banks. Since establishment costs are increasing, to counter this banks have to improve employee productivity.

Profitability can be improved only by improving productivity. It is very clear that there is great scope for increasing productivity. Determinants of productivity include physical conditions of work such as lighting, ventilation, facilities for resting, etc, social conditions of work, such as personnel policies and practices, communications, interpersonal system, a managerial philosophy and styles, extent of humanisation in the organisation, etc, and individual needs such as physical, social, egoistic and self-actualisation needs and perceived possibility of needs fulfilment.

Employee productivity can be improved only by winning the commitment of employees. Better work organisation, effective supervision and proper work distribution will no doubt help achieve some improvement in productivity. But enduring results can be achieved only by motivating employees and by ensuring their participation in bank functions. If we make proper use of performance budgeting exercise with a participation model built into it, it is surely possible to achieve the involvement of employees in all vital bank functions and achieve greater productivity also. Assessment of staff requirements at branch level should also be undertaken as a part of the performance budgeting exercise so as to ensure optimum staffing and eliminate overstaffing.

A participation model in the banks is absolutely essential. At present there is no participation of employees in performance budgeting. The participation model to be adopted by banks should be such that through the consultative process they should be in a position to achieve the involvement not only of the employees at various levels, but also of employees' unions. Participation and involvement achieved by using such a model will be enduring and it will surely improve the productivity of employees. "Productivity and Profitability" should be perennial corporate objectives. This should continue to be the most important objectives in all the years. Banks may adopt this

TABLE II

Productivity and other Ratios of Nationalised Banks: 1979-80, Per Employee Deposits and Advances

Banks	1969		1971		1973		1975		1977		1978		1979		1980	
	DEP	ADV	DEP	ADV	DEP	ADV	DEP	ADV	DEP	ADV	DEP	ADV	DEP	ADV	DEP	ADV
BOI	3.96	2.68	4.20	2.91	4.49	3.18	5.06	3.62	6.20	4.10	7.15	4.39	8.07	4.91	9.02	5.44
CBI	2.61	1.84	2.81	1.96	3.22	2.15	3.83	2.69	5.27	3.44	5.83	3.62	6.80	4.03	7.89	4.51
BOB	3.06	2.02	3.22	2.22	4.02	2.54	5.28	3.45	6.94	4.41	7.23	4.38	8.26	4.87	10.02	5.53
PNB	3.12	1.81	3.58	2.38	4.32	2.50	5.05	3.22	6.14	3.82	6.84	4.07	7.96	4.52	9.15	5.08
CB	2.57	1.74	2.39	1.78	3.12	1.98	4.29	2.89	5.06	3.33	5.66	3.51	5.95	3.87	7.22	4.03
UCB	2.90	1.83	3.19	2.16	3.80	2.40	4.30	2.92	5.63	3.72	6.27	4.01	7.17	4.41	8.02	4.74
SB	2.46	1.79	2.72	1.86	3.04	2.04	3.62	2.57	4.46	2.96	4.82	3.02	5.40	3.38	6.63	4.20
UBI	1.99	1.29	2.17	1.49	2.96	2.02	3.80	2.58	4.69	2.86	4.88	3.03	5.41	3.20	6.24	3.46
UNBI	2.94	2.06	3.05	1.96	3.51	3.24	4.74	3.26	5.48	3.58	6.23	3.72	7.75	4.47	7.86	4.50
IOB	2.48	1.56	2.77	1.58	3.38	2.21	4.06	2.77	5.73	3.70	6.59	4.09	7.64	4.82	8.52	5.60
IB	2.50	1.80	2.98	1.93	3.48	2.45	4.45	2.99	5.27	3.40	6.08	3.71	7.05	4.25	7.78	4.56
DB	2.56	1.63	2.40	1.68	2.82	2.07	3.28	2.36	4.50	3.14	5.13	3.34	6.13	3.36	6.42	3.76
AB	2.96	2.03	3.03	1.81	3.81	2.35	4.05	2.47	4.86	3.00	5.38	3.26	6.50	3.63	7.09	4.04
BOM	2.91	2.15	2.62	1.74	3.14	2.00	3.92	3.00	5.47	3.88	5.59	3.77	6.69	4.07	7.25	4.20
Nationalised Banks	2.86	1.90	3.05	2.04	3.56	2.34	4.33	2.96	5.49	3.57	6.07	3.75	6.91	4.15	7.82	4.55

as the perennial corporate objective. Profitability can be improved by minimising controllable expenses fixing optimum staffing patterns, on the basis of assessment of staff needs, judicious allocation of credit among various sectors, etc. All these will be taken care of if there is systematic and comprehensive performance budgeting. There should be such a linkage between inputs and outputs that banks should be in a position to know well in advance what results they are going to achieve in a budgetary year and at what cost. Only such an advanced system of performance budgeting with an in-built participation model will help improve productivity and profitability.

Banks should have well thought out and well planned recruitment programmes and they should try to readjust existing labour force to achieve balanced distribution. Banks have to do a lot in the matter of identifying surplus staff and redeploying them in deficit branches. In respect of administrative offices such as zonal offices, regional offices, divisional offices and the foreign exchange division also there should be a proper system of assessing staff requirements. It is possible to assess and quantify the work load in these offices and the staff requirements can be assessed based on such work load. Banks should take steps to develop such a system. Assessment of staff requirements of branches should be on the basis of the workload information. The surplus staff should be shifted to other needy branches in deficit areas. But the workmen staff who are surplus cannot be shifted in view of the service conditions applicable to them, according to which they cannot be transferred outside the region. But all the same they can be redeployed in the same region in branches which offer more scope for growth.

Immediate steps should be taken for improving productivity, operational efficiency and profitability. There should be a rational system of pricing various services such as issuing drafts, MTs, TTs, etc, so that banks may earn adequate return for the service rendered. Appropriate fiscal concessions should also be given to banks to enable them to transfer larger amounts to reserves and thus strengthen their base. Banks should have adequate data base for knowing the State of affairs at each branch so that appropriate corrective measures can be taken promptly. There should be budgeting not only for performance regarding outputs but also for inputs and expenses as indicated earlier. There should be a participation model to motivate staff at various levels especially clerks through such steps as self-supervision, accountability and responsibility. It is established that participation induces motivation. Sharing of all vital information, such as data regarding progress achieved by the Bank from time to time, and also by the regions is necessary to achieve motivation. Sharing of information regarding the performance of various regions and zones and branches would kindle a sense of belonging in the employees. Better deployment of staff resources, linking of performance budgeting on the part of branches in various areas, minimising overtime payments and other controllable expenses and bringing about suitable attitudinal changes in the staff members will help improve productivity.

The following suggestions can be considered for the purpose of improving productivity:

(1) There should be proper financial budgeting in respect of all the offices. This will help control expenses and increase profits. Also, there should be plans for performing tasks in respect of administrative offices and departments in the head office as well as in all banks.

(2) There should be periodical meet-

TABLE III

Productivity and Other Ratios of Nationalised Banks: 1969-78, Profits as a Percentage of Deposits and Advances

Banks	Profits as a Percentage of													
	1969		1971		1973		1975		1976		1977		1978	
	DEP	ADV	DEP	ADV	DEP	ADV	DEP	ADV	DEP	ADV	DEP	ADV	DEP	ADV
BOI	0.76	0.54	0.81	0.58	0.67	0.47	0.55	0.40	0.43	0.33	0.34	0.30	0.28	0.26
CBI	0.43	0.31	0.84	0.61	0.61	0.47	0.21	0.16	0.18	0.14	0.16	0.13	0.13	0.10
BOB	0.29	0.24	0.81	0.65	0.63	0.52	0.55	0.45	0.46	0.37	0.42	0.37	0.31	0.27
PNB	0.93	0.70	1.03	0.72	0.69	0.56	0.69	0.52	0.57	0.41	0.47	0.39	0.38	0.33
CB	0.37	0.27	0.90	0.75	0.63	0.62	0.51	0.40	0.45	0.35	0.43	0.39	0.41	0.38
UCB	0.39	0.55	1.08	0.79	0.75	0.57	0.66	0.48	0.50	0.39	0.37	0.30	0.33	0.27
SB	0.32	0.28	0.65	0.60	0.58	0.52	0.49	0.41	0.46	0.37	0.38	0.34	0.32	0.31
UNCB	0.60	0.37	0.87	0.55	0.68	0.48	0.55	0.39	0.42	0.29	0.35	0.30	0.34	0.28
IOB	0.11	0.09	0.51	0.52	0.56	0.48	0.86	0.73	0.06	0.94	0.92	0.85	0.70	0.68
UBI	0.40	0.22	0.42	0.26	0.04	0.03	0.54	0.35	0.35	0.24	0.24	0.19	0.23	0.20
IB	0.42	0.31	0.33	0.29	0.53	0.45	0.59	0.51	0.70	0.68	0.33	0.33	0.35	0.35
DB	0.48	0.36	0.75	0.53	0.33	0.22	0.35	0.24	0.31	0.21	0.25	0.19	0.21	0.18
AB	0.59	0.48	0.61	0.53	0.42	0.37	0.50	0.44	0.45	0.37	0.28	0.25	0.30	0.27
BOM	0.65	0.42	0.52	0.38	0.20	0.14	0.13	0.08	0.13	0.08	0.09	0.07	0.09	0.04
Nationalised Banks	0.54	0.40	0.80	0.60	0.58	0.45	0.51	0.39	0.45	0.35	0.37	0.31	0.31	0.28

TABLE IV

Deposits per Rupee of Establishment Cost (Rupees)

Banks	December			
	1975	1976	1977	1978
Bank of India (BOI)	40.10	49.53	51.52	55.11
Central Bank of India (CBI)	27.52	36.54	40.79	44.39
Bank of Baroda (BOB)	38.41	48.68	53.21	53.11
Punjab National Bank (PNB)	39.23	50.10	53.47	56.84
Canara Bank (CB)	34.75	42.87	43.55	46.75
United Commercial Bank (UCB)	32.87	43.87	47.80	49.52
Union Bank of India (UBI)	33.82	41.82	43.25	42.76
Syndicate Bank (SB)	33.06	40.61	41.57	44.35
United Bank of India (UNBI)	40.33	46.54	48.50	51.75
Indian Overseas Bank (IOB)	38.95	51.26	56.95	59.91
Indian Bank (IB)	39.94	51.92	52.05	53.45
Dena Bank (DB)	27.40	32.78	35.85	38.79
Bank of Maharashtra (BOM)	35.79	46.76	49.64	49.63
Allahabad Bank (AB)	33.29	41.13	42.59	48.23
Total	34.86	43.91	47.11	49.62

ings of staff members at various branches and offices, so as to get their commitment and cooperation in the matter of implementation of accepted policies, programmes and projects.

(3) These should be assessment of staff strength not only in respect of branches, but also in respect of administrative offices particularly zonal offices and regional offices. There should be a system of maintaining work load information at these offices thereby providing the required data base for the assessment. The objective assessments made in this regard should be accepted by the concerned offices. This will help eliminate the possibilities of over-staffing which has demoralising effects.

(4) Productivity and profitability should be perennial corporate objectives of banks. Circulars may be issued from time to time emphasising the need to increase the productivity at various levels and also spelling out the ways in which the same can be done. There may also be a system of declaring the surplus staff by various branches and offices voluntarily. All the branches must be given only optimum staff strength. Branches having surplus staff may declare the surplus on their own. Such surplus may be redeployed elsewhere.

(5) There should be a comprehensive scheme for recognising the good efforts made by the employees at various levels. The contributions of officers and staff should be suitably recorded and recognised and the feed-back in this regard should be given to them so as to motivate and enthuse them. The system of performance appraisal should be made more objective. The persons who are undertaking the appraisal of the subordinate officers should be given detailed norms, so as to ensure objectivity.

(6) There should be expenditure planning and profit planning as a part of performance budgeting exercise. All controllable expenses can be eliminated or reduced. Overtime payments can also be reduced by proper planning of work, improved work distribution, proper discipline and effective supervision. The staffing pattern ratio should also be changed so as to provide adequate span of control for each officer and to develop the officers by giving a challenge in work. The ratio as between officers, clerks and sub-staff should be 1 : 3 : 0.5.

This is necessary to improve productivity and to develop the officers.

There should be a system of recognising good work done by staff in reducing or eliminating overtime payments. This will motivate staff and ensure achievement of still better results.

(7) Disguised unemployment if any in certain areas must be eliminated in all banks. Banks have to take steps to correct the maldistribution of the labour force. Areas and regions having more business alone can be given more staff. Areas having less business and poor potential should not have surplus hands. Such surplus hands can be shifted to areas offering greater scope and potential for development. Banks should adopt this strategy to improve productivity. Optimum utilisation of work force is the pressing need of the day to improve productivity and profitability.

(8) Each bank should have a target to improve productivity. Such targets should come from the grass root level as a part of performance budgeting exercise. Banks which have productivity less than the national average should take steps to raise the productivity to the level obtaining in banking industry. They should have a target date for this and definite results should be achieved as per the target.

9. Improved Human Relations for better productivity : Handling people is an art. In banks which employ a large number of people, the art of handling people should be given adequate importance. In the ultimate analysis, all industry and commerce depend on people and these are for the benefit of people. Since everything depends on people and since everything is for the benefit of people, we cannot accomplish anything unless we learn how to get along with people. The ability to get along with people is of paramount importance to ensure the running of an organisation properly. In fact, human relations constitute an important aspect of Man Management. This is more so in a banking organisation which being labour intensive employs a large number of people. People should be handled with great care. Handling people is one of

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TABLE V

Staffing Pattern Ratio

(Officers : Clerks : Sub-staff)

Banks	Outstanding as at End-December			
	1969	1977	1978	1979
BOI	1 : 2.81 : 1.19	1 : 3.07 : 1.20	1 : 2.80 : 1.02	1 : 2.93 : 1.08
BOB	1 : 2.96 : 1.54	1 : 2.41 : 1.05	1 : 2.36 : 0.93	1 : 2.08 : 0.86
CBI	1 : 3.39 : 1.82	1 : 2.04 : 1.22	1 : 1.98 : 0.94	1 : 1.78 : 0.84
PNB	1 : 4.10 : 2.26	1 : 2.37 : 1.50	1 : 2.58 : 1.42	1 : 2.41 : 1.31
CB	1 : 3.83 : 0.99	1 : 3.27 : 0.80	1 : 3.16 : 0.76	1 : 2.97 : 0.73
UCB	1 : 3.10 : 1.44	1 : 1.58 : 0.92	1 : 1.94 : 0.95	1 : 2.12 : 1.04
SB	1 : 2.49 : 0.56	1 : 2.37 : 0.65	1 : 2.48 : 0.49	1 : 2.61 : 0.52
UBI	1 : 3.71 : 1.78	1 : 1.93 : 0.81	1 : 1.91 : 0.79	1 : 1.98 : 0.82
UNBI	1 : 4.26 : 2.06	1 : 2.35 : 1.33	1 : 2.44 : 1.23	1 : 2.54 : 1.32
IOB	1 : 3.22 : 1.12	1 : 2.47 : 0.78	1 : 2.62 : 0.75	1 : 2.77 : 0.69
IB	1 : 2.37 : 1.39	1 : 2.27 : 0.80	1 : 2.32 : 0.82	1 : 2.34 : 0.79
DB	1 : 2.92 : 1.31	1 : 2.22 : 1.05	1 : 2.11 : 0.93	1 : 2.19 : 0.99
BOM	1 : 2.68 : 1.15	1 : 2.45 : 0.99	1 : 2.56 : 0.93	1 : 2.56 : 0.92
AB	1 : 6.25 : 3.59	1 : 2.45 : 1.70	1 : 2.18 : 1.27	1 : 2.47 : 1.32

the most important qualities required of a supervisor. A supervisor who handles people well is the one who realises the importance of fair and sympathetic leadership. Whether we like it or not, we have to deal with people. If we learn to understand people and know how to handle them, we will be in a position to do our job much better. An average employee is much smarter than we usually think. He may appear to be dull and not very quick but he will easily see through insincerity in no time. Therefore, we should not try to be clever with anybody. This is because people will spot it quickly enough. The only way to handle people is to be sincere and honest with them.

Sense of Importance

Efficient and proper "man management" also requires that people should be given adequate importance. Each one should be made to feel that he matters and his contribution is vital. If somebody is on leave for some time, immediately on his return if the officer under whom he is working says "It is good to have you back" or "It was really difficult to handle the task in your absence," then the concerned man will surely develop within himself a sense of importance. These may be only a few words. But they make a tremendous difference. These are the things which really count in supervision. Human relations cannot be delegated. It is wrong to think that it is only in the realm of Personnel Department. It is the job of each and every official. Through good human relations and by adopting the system of management through involvement, it is possible to develop a sense of belonging in each man and woman. "Our bank, our branch", this is a sort of talk we would like to hear from our people. We have to make them feel that the institution is theirs and they constitute an indispensable part of the institution.

The following are very important in handling people in banks:

(1) Recognition of contribution made by everyone.

(2) Effective communication.

(3) Appreciating performance.

(4) Providing opportunities to all to develop themselves by giving them a fair amount of discretion to take decision.

(5) Developing personal contacts.

(6) Welcoming suggestions and ideas from all or brain storming people.

(7) Motivating all people to willingly take up higher responsibilities.

(8) Need to have up to date knowledge regarding their role.

(9) Synchronising the individual's development with the organisation's development.

(10) Provide opportunities for self-improvement.

The above ten principles should be followed by us if we are to be successful in handling people.

Emoluments alone do not matter. If we want a staff member to be a good, dedicated and a committed staff member, we should offer him other things as well. Monetary incentives and material things alone are not adequate. If sympathetic and inspiring leadership is provided, then even in difficult working conditions, excellent results can be achieved. Such leadership is particularly important in banks which employ a large number of people.

If there is a mistake then blaming somebody for that mistake is a useless exercise. What is done cannot be undone. All that has happened is a part of history. The most important thing is to take a constructive view and concentrate on preventing similar mistakes occurring in future. Instead of attacking somebody who has committed a mistake, an officer in a bank, may do well to attack the reasons for that mistake. The mistake may be due to inadequate instructions, ambiguous guidelines or lack of training for the staff member. Also it may be due to bad methods employed for the purpose. Therefore, bank supervisors and officers should try to find out the reasons for the mistake and attack reasons for the mistakes. The principle of "attacking the reasons" for poor work instead of the concerned man should be a guiding principle in banking institutions. We should always think of the future. When a mistake occurs the objective undoubtedly is the future. Therefore, we have to concentrate on avoiding the mistakes recurring in future and not so much on blaming somebody who has committed a mistake.

A supervisor should be prompt in disposing of the papers and notes put up to him. If an officer keeps papers pending for an unreasonably long period then he will be reducing his own stature. Because people under him may think that he has no ability to take decisions.

It is, therefore, said that even if 10 to 15 decisions out of 100 are wrong, one should not hesitate to take decisions. The mistakes in decisions can be rectified later on. The staff members usually like a boss who keeps nothing pending. Because it is human nature to finish the work fast and relax thereafter. The clerical staff members are also interested in closing the matter fast and filing the papers. Therefore, a supervisor should learn speedily to dispose of the papers. After he gains experience, he will take only right and effective decisions in spite of his being fast. We should always encourage people to give suggestions. When somebody makes a suggestion, no matter how stupid it may be, the officer should treat it sympathetically. The man who makes suggestion is in fact showing initiative. If we discourage him saying that it is a stupid suggestion, that man will never give any more suggestions in future. By doing so we may even be coming in the way of useful suggestions coming from the people in future. Suggestions are very tender plants. Any criticism in this regard will discourage people. This may finally result in a useful suggestion not forthcoming at all. This is very bad for an organisation. By encouraging suggestions, we may bring about increased staff involvement.

Staff Psychology

A staff member may be turning out poor work. This may be due to several reasons. He may be having problems on the domestic front, he might have suffered calamities and he might have undergone serious difficulties. We should try to find out the reasons for bad work. Once you find out the reasons it will be possible to try to put things right.

Team work is vital for success. There is nothing a boss likes more than a feeling that his men are loyal to him and support him through thick and thin. This results in team work. If everyone respects and obeys the boss then there is bound to be team work. Unless the top man is supported by all, everything would collapse.

A boss should learn to recognise the contribution in general and original contribution in particular made by a staff. Ability to appreciate good and original work and to recognise contribution is necessary for an executive if he is to be succesful in handling people and improving productivity.

Unnecessary criticism adversely affects the morale of people. Such criticism is demoralising. If we do not have anything good to be told about somebody, then it is better not to say anything at all. If we have not got a good thing to be told about somebody then we should keep quiet. In spite of all sorts of provocations we should try to be calm and collected. Every problem should be approached from as many different points of view as possible. An officer should not be impulsive in handling matters. He should consider the points of view of other persons from all angles. If he does so he will be successful in handling people and improving productivity.

Important Matter

Consultation is an important thing in an organisation. While taking a decision one should consult the man who is actually in charge. Let the person in charge know that when you put him in charge of something you will respect his authority. Before taking a decision the executive should obtain the opinion of the officer in charge.

No doubt the boss may sometimes have to over-rule the concerned man but the boss should never fail to consult him. If there is a departmental head the chief executive should go to him and not to the lower levels. Except in extreme circumstances one should never bypass. We should try to avoid going directly to the man doing the job ignoring the head of the department. If it is done, then we will be lessening the authority and effectiveness of the departmental head. After all if the big boss goes to a clerk directly, how is the officer to know what the man has been ordered to do? Red-tape is a very bad phenomenon. Put yourself is the shoes of the other fellow. By doing so, you will be in a position to think about the right approach to a problem. We should try to visualise the reactions of the other man. If we do so then the results will be surprising. It will enable us to handle our own problems very well.

The ideas of several people will be better than the ideas of one man. We should try to brain storm as many people as possible and pool their ideas. This will not only enable us to get good ideas for implementation but also help achieve a feeling of working together.

Feeling ot Cooperation

By failing to consult somebody who ought to have been consulted we are not only hurting his pride but also losing his cooperation. The feeling of working together is very necessary in banking industry which is becoming more and more unionised.

By following the principles explained in this article, bank officers can handle people in a better way, winning their involvement in and commitment for bank's corporate goals and objectives. People should be handled with utmost care if any organisation is to prosper. This is more so in the case of banking industry which employs thousands of people and which is becoming more and more unionised day by day.

Thus it is clear that banks have to take energetic steps for improving productivity and profitability. Improvement in productivity is an indispensable basis for improving the overall performance of commercial banks in all areas or spheres. If banks are to grow on sound and healthy lines, simultaneously contributing to the growth of the employees within and the national economy of which they are a part, they have to adopt appropriate strategies and plans for improving productivity. All such plans and strategies for improving productivity should be built into the system of performance budgeting in banks. Thus, comprehensive planning in respect of all areas and parameters including productivity and profitability from the grass root level of branches with the participation of all employees at all levels will be vital from the point of view of improving the performance of commercial banks.

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Economic Analysis

Trends in Basic Needs : Foodgrains

B. Sambi Reddy

AN ATTEMPT has been made in this piece to compare the time series estimates of foodgrains consumption arrived at by employing alternative methods of estimation. Time series data on consumption of foodgrains in India correspond to an indirect official estimate, i.e. net availability derived from production and trade data.[1] But, this estimate does not include the changes in private stocks held by traders and producers: so it cannot be exactly equated with consumption estimates.

The National Sample Survey (NSS) has been collecting detailed information on consumption of food items. Both the National Council of Applied Economic Research (NCAER) and the Indian Council of Medical Research (ICMR) were engaged in collecting information regarding estimates of foodgrain consumption. But, it would seem that the above studies could not stand significantly up to the mark if one wanted to adopt a fairly reliable sampling at a national level. Among the direct estimates, the NSS estimates are somewhat representative in nature covering the entire country. Since the consumption estimates are arrived at by two different approaches, it is not possible to estimate the error involved. Here, the availability of official estimates and the estimates of foodgrains consumption done by NSS are subject of discussion.

(a) **Official Data on Net Availability**: The official data on the availability of foodgrains have been published by the Ministry of Agriculture and Irrigation in "Bulletin on Food Statistics". In order to arrive at net production for consumption use, a fixed proportion of gross production is deducted for non-food uses (Rice: 7.6 per cent, Wheat 12.1 per cent, Cereals 12.5 per cent and Pulses 12.5 per cent), i.e. for seed feed requirements and wastage. The gross production of different crops is arrived at by multiplying the area under each crop with respective estimated yield derived by sample survey method, i.e. crop-cutting experiments.

The village patwari, under the supervision of revenue inspector, is mainly responsible for the collection of primary statistics on land use pattern on the basis of complete field-to-field inspection during an agriculture year (for both kharif and rabi crops). This information is the basis for further compilation at different levels of taluk, district, State and nation and used as area under different crops. But the following inaccuracies generally creep into the crop enumeration: (i) missing of a crop when it is actually sown in the field, i.e. showing no crop in the field when it is sown, (ii) reporting of a crop when it is not sown in the field, (iii) incorrect assessment of the area sown under different crops, and (iv) errors in totalling.

Soon after independence, in the Fifties production estimates of principal crops are based on subjective method of eye estimation. This system has been gradually replaced by the objective method, known as crop-cutting experiments, to estimate the yield rates. In this method, stratified multistage random sampling method has been utilised in the selection of plots for sample harvesting. The administrative division (tehsil) forms the strata and village (field) forms the successive unit of sampling. The selection is made at each stage of sampling. Usually, about 60 to 80 villages and two plots for each village of sizes 5x5 mts are selected in proportion to the acerage under crops in different strata. The crop from the selected sample areas is harvested by the cultivator in the presence of the enumerator, the progressive assistant (PA)/village development officer (VDO) at the block level or statistical assistant at the taluk level. Allowances for the loss of moisture are made on a sub-sample of the harvested produce. To test the accuracy of the method we need the estimates of complete enumeration. But, the yield per hectare based on complete enumeration is not available and is not possible because of two reasons, (i) administrative set-up and cost involved, and (ii) the number of crop harvesting seasons spread over a period of time.

The net imports and change in Government stocks are considered in arriving at net availability of foodgrains, but excluded are the changes in private stocks held by producers, traders and consumers. The producer will have the tendency to store more products for home consumption whenever there is a bumper crop and when the need arise it will be consumed. As mentioned earlier, in the absence of change in private stocks, the net availability cannot be treated as exact consumption estimates in the country.

(b) **NSS Consumption Estimates**: The NSS survey has been collecting detailed information on the quantity and value of various items of food consumed by household enquiry through successive rounds of its operation

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covering a full year or part of a year.[2] The sampling design used is stratified, multi-stage interpenetrating sub-samples based on procedures of probability sampling. The data on expenditure and food intakes were collected through canvassing well-designed household consumption schedule by trained investigators. The consumption items analysed are exclusively on domestic account, including consumption out of home grown produce, gifts, loans etc.

The quantities of various items of foodgrains consumed by the members of the household include the non-edible portion also. The basic data on consumption are collected by the interview method, i.e, by interviewing respondents (usually the head of the household) of the sample households. The household consumption of last 30 days prior to the day of investigation will be noted in the schedule by the field investigators. The quantity of food intake by interview method may lead to inaccuracy due to the facts, that (i) no account is taken of day-to-day differences in the diet, for instance the use of leftovers, and (ii) it is not possible for the field investigator to have an acquaintance with the dietry habits of the family; the number of meals, the number of persons eating, the amount of food taken outside the home, etc. As it is being done by the ICMR food consumption surveys, it would have been better from the viewpoint of national analysis, if the quantities of the food consumed were actually weighted before recording.[3] This method is expensive than interview method and also there is a possibility of consuming more food than a person is normally accustomed to from the prestige point of view, which would vitiate consumption estimates on higher side.

Agriculture: Growth Rates ; In any developing country, foodgrains availability for consumption depends mainly on agricultural production. In India, owing to Green Revolution agricultural production and productivity has been increased considerably. Agricultural production during 1967-68 to 1978-79 has registered encouraging results keeping the growth rate at 2.8 per cent per annum. In the Sixth Five-Year Plan (1980-85), to achieve the overall growth of 5.2 per cent per annum, the agricultural production growth rates of various items are fixed between 3.5 to 5 per cent per annum.[4] The compound growth rate fixed for foodgrains as a whole is 3.9 per cent per annum during 1980-85.

Table I presents the compound growth rates of area, production and yield under major foodgrain crops during the last two decades. The foodgrains as a whole, the growth rates area, production and yield during the period 1960-61 to 1978-72 have been 0.48, 2.56 and 1.65 per cent per annum, respec'ively- It can be observed from the table that there was a shift in gross cultivated area from coarse cereals (jowar, barley, ragi, etc.) to major cereals like wheat and rice. Among all the cereals, the production of wheat went up considerably due to increase in area and yield. This might be due to the impact of green revoiution.

Foodgrains Supply and Prices : The total production, imports and net availability of foodgrains along with wholesale price indices are presented in Table II. The total production of foodgrains increased from 82 million tonnes in 1960-61 to 125.6 million tonnes by 1977-78, resulting in a growth rate of 2.56 per cent per annum. But, the per capita supply of foodgrains declined from 168 kgs. in 1960-61 to 165 kgs. in 1977-78. The total availability of foodgrains for human consumption was estimated ar 73.4 million tonnes in 1960-61, both from internal production and imports. There were 5.6 per cent imports to the availability in 1960-61; this percentage gradually iucreased to 11.2 in 1965-66 and further to 12.9 in 1966-67. The increased imports were due to adverse weather conditions and the country passed through an acute food situation in those years. Production in 1970-71 (which is supposed to be a good year) was

TABLE I

Compound Growth Rates of Area, Production and Yield per Hectare of Major Crops of Foodgrains during 1960-61 to 1978-79 and 1967-68 to 1978-79 All-India

Crop	1960-61 to 1978-79			1967-68 to 1978-79		
	Area	Production	Yield	Area	Production	Yield
1. Rice	0.75	2.05	1.29	0.82	2.64	1.80
2. Jowar	—1.02	0.61	1.65	—1.49	2.07	3.62
3. Bajra	0.02	2.32	2.29	—1.26	0.28	1.53
4. Maize	1.71	2.07	0.35	0.05	—0.04	—0.07
5. Ragi	—0.01	1.74	1.75	1.00	3.98	2.97
6. Wheat	3.37	7.54	4.03	3.16	6.02	2.76
7. Barley	—1.98	—0.37	1.61	—3.36	—1.95	1.39
8. Cereals (total)	0.72	2.94	1.82	0.41	3.05	2.07
9. Gram	—1.39	—0.72	0.66	0.29	0.66	0.31
10. Pulses	—0.36	—0.26	0.23	0.74	0.54	—0.07
11. Foodgrains	0.48	2.56	1.65	0.44	2.77	1.84

Source : Agricultural Situation in India, February, 1980 p. 817.

estimated at 108 million tonnes. Net imports went down.

The estimated production in 1978-79 was 131.4 million tonnes, 4.6 per cent higher than the previous year. But in the following year, it declined to 128 million tonnes. The targetted production by the end of the Sixth Five-year Plan is 154 million tonnes. The National Commission on Agriculture has estimated the demand for foodgrains for human consumption between 128 and 138 million tonnes in 1985.[5] The estimated production would range between 150 and 164 million tonnes which would meet the demand after allowing for non-food-uses.

The growth rate of per capita supply can indicate how fast it is growing and its annual variation indicates how stable it is. An examination of the data in Table II shows that there has been statistically linear trend in per capita availability. The per capita availability has fluctuated widely around the mean 163.1 kgs/year, ranging from 147.7 kgs. in 1966-67 to 170.9 kgs in 1971-72. When the linear regression of per capita availability is fitted with time period, it is observed that the actual per capita supply declined at the rate of 0.303 kgs per annum during 1960-78. ($y=1657—0.303\ t$, y=per capita availability of foodgrains, t=time period).

The price of any commodity is determined by its demand and supply. There is some evidence that in the last two decades, the prices of agricultural commodities have gone up faster than the prices of non-agricultural commodities. The wholesale price index of foodgrains went up from 100 in 1961-62 to 201 in 1968-69 and further to 354.1 in 1977-78. It reached the maximum 401.5 points in 1974-75. The general price index went up from 100 in 1961-62 to 165.4 in 1968-69 and further to 330.7 points in 1977-78. It is observed that the general price index steadily increased from 1961-62 onwards, whereas there were ups and downs in the case of foodgrains price indices. This is true, in particular, in the years 1967-68 (228.4) and 1974-75 (401.5). This might be due to low or high per capita availability of foodgrains in these years. The fall in foodgrains price index from 208.2 points in 1969-70 to 206.8 points in 1970-71 can be attributed to the increased production in that year.

The per capita consumption levels of foodgrains obtained from official statistics and NSS are shown in Table III. The official estimate is arrived at by using the estimated population and net availability of foodgrains. The NSS consumption is the weighted average or rural and urban per capita consumption estimates, weights being the respective population proportions in those years. *From the table, it can be seen that the NSS consumption estimates are consistently higher than the official estimates throughout the period under review.* The percentage difference

TABLE II

Production, Imports and Availability of Foodgrains in India (1960-61 to 1977-78)

Year	Gross Production		Net imports		Net Availability		Per capita availability			Wholesale P.I. of Food-grains	General Price Index*
	Thousand tonnes	%change to the previous year	Thousand tonnes	% share to net availability	Thousand tonnes	%change to previous year	Kgs/year	Devia-from Mean (kgs.)	%change to the previous year		
1960-61	82326	—	4302	5.9	73441	—	167.8	4.7	—	—	—
1961-62	82397	0.1	3557	4.7	75884	3.3	169.7	6.6	1.1	100.0	100.0
1962-63	80330	—2.5	4082	5.4	75463	—0.6	165.1	2.0	—2.7	105.4	103.8
1963-64	80699	0.5	5294	7.0	76476	1.3	163.7	0.8	—0.8	115.2	110.2
1964-65	89367	10.7	6845	8.4	81340	6.4	170.4	7.3	4.1	145.2	122.3
1965-66	72347	—19.0	8875	11.2	79025	—2.8	162.0	—1.1	—4.9	154.3	131.6
1966-67	74231	2.6	9485	12.9	73674	—6.8	147.7	—15.4	—8.8	182.9	149.9
1967-68	95052	28.0	7165	8.9	80339	9.0	157.6	—5.5	6.7	228.4	167.3
1968-69	94013	—1.1	4747	5.5	86215	7.3	165.4	2.3	4.9	201.0	165.4
1969-70	99501	5.8	3685	4.2	87558	1.6	164.3	1.2	—0.7	208.2	171.6
1970-71	108422	9.0	2778	3.0	91902	5.0	168.6	5.5	2.6	206.8	181.1
1971-72	105168	—3.0	756	0.8	95264	3.7	170.9	7.8	1.4	214.9	188.4
1972-73	97026	—7.8	1544	1.7	92506	—2.9	162.4	—0.7	—5.0	247.5	207.0
1973-74	104665	7.9	4207	4.5	92803	0.3	159.4	—3.7	—1.8	296.0	248.7
1974-75	99826	—4.7	6105	6.6	92992	0.2	156.4	—6.7	—1.9	401.5	311.3
1975-76	121034	21.2	6925	7.3	95400	2.6	157.2	—5.9	0.5	358.2	207.9
1976-77	111167	—8.2	3434	3.4	100463	5.3	162.2	—0.9	3.2	317.3	314.3
1977-78	125605	13.0	—272	—0.3	104263	3.8	164.9	—1.8	1.7	354.1	330.7

*Corresponds to the financial year April-March.

between the two estimates ranges from 9.2 in 1970-71 and 25.2 in 1963-64. The difference has narrowed down since 1964-55.

The NSS estimates for cereals are uniformly higher than the official availability estimates derived from production and trade data. The difference ranges between 16.7 per cent in 1970-71 to 39.8 per cent in 1958-59. But, the estimated per capita consumption of gram and pulses by the NSS is below the official estimates. The reason for this reverse trend may be the ignorance of respondents to distinguish and differentiate between cereals, gram and pulses separately and/or the official production estimates might be overestimated as the sample area covered in estimation of pulses is small.

The NSS per capita consumption estimates are higher than the official availability in all cereals and throughout the period. The per capita NSS consumption estimate of rice is 11 per cent higher than the official estimate in 1973-74 and 35 per cent in 1958-59. In the case of wheat, it is seven per cent higher in 1973-74 and 42 per cent in 1960-61, but the estimate is lower by 2.6 per cent in 1970-71. The difference is more in other cereals ranging between 31.5 per cent in 1973-74 and 59.0 per cent in 1958-59. An explanation for this may be the underestimation in official net availability which is taken as the net total cereals minus the net availability of rice and wheat.

The study reveals that net availability of foodgrains per head in the country has declined despite considerable improvement in agricultural production for the last two decades or so. It would seem that the availability of foodgrain per capita has gone down owing to curtailment of imports. Owing to the inadequate supply of foodgrains, it would be possible that the prices of foodgrains might have been increased to some extent in the country.

Throughout the period under study, the official estimates of foodgrains are lower than the NSS estimates. A doubt may arise with regard to the validity of official estimates. To have a proper foodgrains policy particularly in the years of drought and famine, there is a need to have reliable estimates. It also helps to assess in fixing the targets of imports and exports if necessary.

Notes

1. Net availability : Gross Production—Production for non-food use—net imports—(±) Change in Government stocks.
2. The quantity of foodgrains consumed has been published in a few selected rounds.
3. For details see. NIN Annual Reports.
4. Government of India, Planning Commission, Sixth Five-year Plan, 1980-85, p. 119.
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TABLE III

Per Capita Monthly Net Availability and NSS Consumption Estimates of Foodgrains in India

	Rice		Wheat		Other Cereals		Total Cereals		Gram & Pulses		Foodgrains	
	Net availability	NSS Estimate	Net availability	NSS Estimate	Net availability	NSS Estimate	Net availability	NSS Estimate	Net availability	NSS Estimate	Net availability	NSS Estimate
1958-59	5.42	7.31 (34.9)	2.21	2.64 (19.5)	3.69	5.87 (59.0)	11.32	15.82 (39.8)	2.96	2.02 (—31.8)	14.27	17.84 (25.0)
1959-60	5.77	7.24 (25.5)	2.39	2.77 (15.9)	3.68	5.74 (56.0)	11.84	15.75 (33.0)	3.10	2.01 (—35.2)	14.94	17.76 (18.9)
1960-61	5.93	7.60 (28.2)	2.40	3.40 (41.7)	3.61	4.99 (38.2)	11.94	15.99 (33.9)	2.93	2.01 (—31.4)	14.87	18.00 (21.0)
1961-62	6.15	8.29 (34.8)	2.48	2.90 (16.9)	3.51	4.98 (41.9)	12.15	16.17 (33.1)	2.86	1.75* (—38.8)	15.01	17.92 (19.4)
1963-64	5.92	7.68 (29.7)	2.58	3.22 (24.8)	3.46	5.28 (52.6)	11.96	16.18 (35.1)	2.37	1.76* (—25.7)	14.33	17.94 (25.2)
1964-65	6.27	7.68 (22.2)	2.80	3.06 (9.3)	3.42	4.62 (35.1)	12.48	15.34 (22.9)	2.42	1.57 (—35.1)	14.90	16.91 (13.5)
1970-71	5.82	6.59 (13.2)	3.13	3.05 (—2.6)	3.53	4.92 (39.4)	12.48	14.56 (16.7)	2.21	1.48* (—33.0)	14.69	16.04 (9.2)
1972-73	5.63	6.26 (11.2)	3.72	4.07 (9.4)	2.83	4.12 (45.6)	12.19	14.45 (18.5)	1.89	1.48* (21.7)	14.08	15.93 (13.1)
1973-74	5.52	6.59 (19.4)	3.44	3.68 (7.0)	3.08	4.05 (31.5)	12.04	14.32 (18.9)	1.73	1.41 (18.5)	13.77	15.73 (14.2)

*Estimated pulses consumption (1.80 kgs) added to Gram.

Note : Figures in the parentheses indicate percentage difference of the estimates.

STC's Performance

EVEN THOUGH there has been a small decline in its total turnover, both in comparison with the actuals for 1980-81 and the budgetary figure for the year, the State Trading Corporation can take legitimate pride in its performance during the year just gone by. It has been able to step up exports by 14 per cent to Rs 503 crores from Rs 441 crores in 1980-81, despite depressed international demand and growing protectionist tendencies abroad for a number of manufactured products and agricultural commodities, which is reflected not only in considerably lower unit-value realisation in the case of some items and inadequate off-take in the case of some others. Much more significantly, non-canalised exports have gone up by 18 per cent to Rs 269 crores from Rs 228 crores. The growth in exports of canalised items has been to Rs 234 crores from Rs 213 crores.

Elusive Target

Whereas the original target for pushing up canalised exports to Rs 221 crores has been exceeded, the upward revised target of Rs 263 crores under the mid-year review has proved to be elusive because of sizeable decline in export of groundnut extractions following imposition of restrictions by West European countries on grounds of high afflatoxin content and re-emergence of soyabean meal as substitute. Exports of castor oil, seed lac/shellac and sugar have been well maintained, but there has been some shortfall in those of semi-processed leather, opium, molasses and lamon grass oil from the anticipated levels, though in the case of the former three there has been significant improvement over the 1980-81 levels. It is rather intriguing why exports of molasses have not been allowed, although there is a large exportable surplus of this item following an upswing in sugar output. On the contrary, some chemical manufacturing units in West Bengal have been allowed to import industrial alcohol because they have found it difficult to utilise indigenous alcohol from Uttar Pradesh and Maharashtra owing to heavy duty on exports from these two States.

Coffee Breaks

Non-canalised exports could have been significantly higher had the unit value realisation of coffee not gone down precipitately. The STC has been able to push through substantially larger exports of jute goods despite difficult trading conditions. Exports of readymade garments, cotton textiles and finished leather too have been kept up though those of spices have suffered a marginal set-back. In the case of these three items also external envionment has not been very congenial. Tobacco exports have shown a sharp-rise to around Rs 70 crores from Rs 34 crores in 1980-81. Exports of fresh and processed foods have been more than double to Rs 11 crores. Rice exports have gone up to Rs 18 crores from just Rs 8 crores in the previous year. The decline in coffee exports has been from Rs 89 crores to Rs 45 crores.

Several new items have been introduced in the export markets. These include fruit salad (destination Zurich) sarson ka saag (Oman), fresh garlic (Sri Lanka), textile fabrics and threads (Vietnam), rayon viscose fabrics (USA), hand-made durries (Australia), electronic musical reproducing, stereo equipment (Hungary), green tea (Algeria) and ladies woven ballerina shoes (Holland). New markets have been penetrated for some products. These include Saudi Arabia and Malaysia (mango pulp), Hungary (roasted salted peanuts and fashion garments), the United Kingdom (dehyderated onion slices and golf shoe uppers), Spain (coffee and football), Gabon (complete shoes), Senegal and Italy (coarse rice), the German Democratic Republic (fashion garments), Iran (tea) and Australia (slate stones).

The decline in turnover has heen due to lower imports by about Rs 84 crores at Rs 1,130 crores. The domestic operations have yielded Rs six crores more turnover at Rs 21 crores. The total turnover, however, has been around Rs 1,654 crores, as against Rs 1,670 crores, in 1980-81. Imports of edible oils and tallow have been brought down to Rs 752 crores and Rs 18 crores from Rs 805 crores and Rs 21 crores in 1980-81. Sugar imports have been lower at Rs 75 crores from Rs 93 crores in the previous year. Cement, rubber, printing paper and newsprint imports have been higher at Rs 84 crores (Rs 79 crores in 1980-81), Rs 35 crores (Rs 23 crores), Rs 26 crores (Nil) and Rs 135 crore (Rs 133 crores).

Trading Profit

The trading profit of Rs 68.7 crores though lower than Rs 70 crores in th previous year, is better than anticipated The gross profit is put around Rs 77 crores, a decline of Rs 1.5 crores fro the previous year. Profit before tax estimated at Rs 53.1 crores, as again Rs 57.3 crores in 1980-81. Profit aft tax is put at Rs 20 crores, as again Rs 19.8 crores. Trading profit as pe centage of sales has been maintained 4.2 per cent. Pre-tax profit as percenta of sales has declined from 3.4 per ce to 3.2 per cent. The debtors-sale ra has shown some improvement, though there has been some deterioration in the ratios of overheads and stocks to sales, the former going up from 0.7 per cent to 0.8 per cent and the latter from 8.9 per cent to 10.2 per cent. Dividend for the year will be Rs 3 crores.

The overall operations of the STC group, including the subsidiaries—the Handicrafts and Handlooms Export Corporation, the Cashew Corporation, the Projects and Equipment Corporation, the State Chemicals and Pharmaceuticals Corporation and the Central Cottage Industries Corporation—of course, have yielded two per cent more turnover at Rs 1,913 crores (Rs 1875.6 crores). Exports of this group have gone up to Rs 634.7 crores from Rs 521.5 crores.

Imports have declined to Rs 1,249.4 crores from Rs 1,332.1 crores. Domestic trade has increased to Rs 29 crores from Rs 22 crores. The trading profit of the group amounts to Rs 82.7 crores as against Rs 85.3 crores in 1980-81. The gross profit has been around Rs 93.6 crores (97.9 crores). Pre-tax profit is put at Rs 60.6 crores (Rs 66.5 crores) and post-tax profit at Rs 21.4 crores (Rs 24.6 crores).

Export Expectations

Twenty-five per cent increase in exports is envisaged during 1982-83. The Corporation is providing back-up support to exporters in various fields. A design-cum-development centre is being established for sports goods at Jullundur and a textile design centre for small garment exporters in the Union Territory of Delhi. Efforts are being made to involve State corporations in STC's activities. The Andhra Pradesh and Gujarat Corporations have been introduced into exports of castor oil and Punjab's Markfed into that of rice. A leather fashion gloves project is nearing completion in Haryana in collaboration with Bulgaria. The Corporation is also setting up a shoe uppers unit at NOIDA near Delhi. Feasibility studies have been completed or undertaken for setting up a fruit juice/pulp plant at Hyderabad and two other projects concerning hand tools and tuna fish exports. The National Tannery at Calcutta and the leather garments unit at Madras are being reactivised. Similar efforts are being made in regard to the Tundla meat plant. Concerted endeavours are being made to step up non-canalised exports.

Problem of Marginal Deficit or Surplus

S. Viswanathan writes from Madras

"STEEL AVAILABILITY has overtaken the demand in most categories. Except in selected sections of structurals and plates and certain critical specifications, the country has today adequate steel. Our inventory has been growing steadily as a result of the incremental element in production that has been in excess of the consumption", says Mr S. Samarapungavan, Chairman, Steel Authority of India Limited.

Speaking recently at the annual general meeting of the Association of Indian Engineering Industry, Southern Region, Mr Samarapungavan observed that marginal deficit or marginal surplus at times caused major problems for Indian economy. In spite of an increase in cumulative sales of steel during April, 1981, to February, 1982, to 4.571 million tonnes, reflecting a growth of 19 per cent over sales during the corresponding period of last year, inventories of saleable steel were still very high. The SAIL Chairman said that they have initiated a number of steps to liberalise distribution to make steel more easily available from the stockyards. He appealed to the AIEI members to plan their purchases carefully so that an even flow of stocks could be facilitated and demand met in full.

There has been a jump of nearly 22 per cent in the production of saleable steel during 1982-83 compared to what it was last year. Capacity utilisation is around 78 per cent. The SAIL is planning to step up production of saleable steel from the record 5.6 million tonnes for 1982-83 to 6.47 million tonnes next year. In a recent talk with me, the SAIL Chairman said, that to reach this level of production, capacity utilisation will have to be raised to around 90 per cent. About the imponderables, Mr Samarapungavan said that there is, at present, severe power shortage in Orissa. The Rourkela Steel Plant has been a consistent good performer and has been accounting for a good portion of the production of high value flat products. Even a day's loss of production cannot be made up and thus steering Rourkela through the summer at the peak level of production is going to be a big challenge.

Mr Samarapungavan said that there has been an improvement in coking coal stocks. They were around the level of 2.5 lakh tonnes last year and are now around 3.5 lakh tonnes which can feed the coke ovens for 6 to 7 days. He, however, expressed concern over the poor quality of coal supplies.

The efforts of SAIL to reduce the large inventory of ingot steel have helped it reduce stocks from around 700,000 tonnes in mid-1980 to around 200,000 tonnes now. Understandably, this has contributed, despite good pick up in sales to a huge accumulation of saleable steel in the stockyards, from around 250,000 tonnes to 650,000 tonnes in this period. The tight money position accounts partly for the accumulation of stocks. Again with the easing of supply situation, there is no great anxiety on the part of users to buy and stock steel at their end. With distribution getting very much liberalised, the tendency of panic-buying has diminished considerably. There are plans for taking out more steel items out of JPC control.

During 1982-83 the plate mill of Bhilai plant is expected to be commissioned: the steel melting shop of the expansion facility to 4 million tonnes capacity is also expected to become operational. At Bokaro also, the steel melting shop under the expansion scheme is expected to be ready before March, 1983. Through this expansion, hot metal capacity will increase to around 14 million tonnes.

The SAIL is naturally worried over the slow pick-up in demand for such items as are added to its products lists. Mr Samarapungavan stressed the need for the steel—based engineering units to plan for an increasing level of absorption of the new items that would come out of SAIL's expansion programmes. He referred to the programme to produce around 11,000 tonnes of stainless steel of both industrial and utensil grades from Salem where production commenced in September last year. To reduce the cost to the consumer, Salem Steel is experimenting on sandwich rolling of mild steel with stainless steel cladding on either side; Mr Samarapungavan said that this will reduce cost of utensil manufacture very considerably, besides having better conductivity.

In his review, the Chairman of AIEI Southern Region, Mr T.K. Joshua referred to the contribution of the engineering industry in the southern region. He said that though presently units in the south appear to be in a more comfortable position compared to the last year, the outlook for power in the summer months causes concern.

Power Cuts

The industry in Karnataka is experiencing serious power cuts and there is anxiety that the shortage will get more pronounced in Tamil Nadu. Mr Joshua also cautioned that all the gains in infrastructural sectors could come to nought if industries were starved of finance for maintaining production. He pointed to the sudden credit squeeze introduced by way of across-the-board slashing of credit limits by banks. "The curbs on credit limits severely curtailing working capital availability, have already set in motion a recessionary trend where buyers are unable to lift stocks due to inadequate cash flow and industry would be compelled to operate at lower capacity levels", cautioned Mr Joshua.

This concern appears well founded. There is a great deal of worry over the very sizable fall in demand for bicycles, commercial vehicles and tractors Manufacturers of these goods experienced highly favourable selling conditions in 1981 which seem to have suddenly disappeared.

For units in the South, with a good spread of the foundries, pig iron availability has been a major problem. In the last two years in a situation of overall shortage, allocations have been falling short of actual demand. This industry has been growing rapidly in the South. Mr Joshua said that the pig iron allocation based on the earlier level of consumption did not reflect the growing needs of the region. AIEI's incoming regional Chairman, Mr K. Raman, also stressed the need to make available foundry grade pig iron. He felt it should be possible for the integrated steel plants to produce and make available foundry grade pig iron, which would very considerably reduce the burden on foundries to upgrade the low grade pig iron presently supplied. This can also save considerably on scarce energy.

Satisfactory Availability

SAIL Chairman provided an impressive array of statistics to assure that the general trend of availability of pig iron was very satisfactory. He said that supplies of pig iron to the southern stockyards during April to December 1981 increased to 31.2 per cent of national share against 22.7 per cent in the previous year. He also referred to imports of pig iron to improve the situation: recently 10,000 tonnes were unloaded in Madras, in the distribution of which priority was given to the small scale industries. SAIL expects another 20,000 tonnes of pig iron being imported from Pakistan made available, to the southern region. Thirteen foundries have also been permitted to import 14,437 tonnes of special grades pig iron.

For the engineering industry, this statement from the Chairman of SAIL should be re-assuring. Mr Samarapungavan's address underlined the factor of much easier availability and also hopes of further improvements in the course of this year. One, however, has the uneasy feeling of the by now familiar cycle of this marginal surplus leading to a sense of complacency in regard to steel expansion. Did we not witness a similar spectacle in 1978?

Coal for Power : Another Task Force

THE UNION Energy Minister, Mr Ghani Khan Chowdhury, announced in Farakka on March 27 that the Department of Coal had decided to set up a task force for assessing the quality of coal needed by the thermal power units in various States. The task force would consist of representatives from the Department of Coal, Central Electricity Authority, and the Railway Board. The Minister said that its members would visit all the thermal plants and obtain first-hand information about their requirements of coal and then lay down linkages between collieries and power units.

But the problem is not so easy as the Minister seemed to suggest. For the past several years the power plants have been persisting in their complaints about the supply of unsuitable coal. The Ministry of Energy, of course, did make some attempts to improve this situation. But they have not achieved much success Mr Choudhury, therefore, should examine in detail what specific measures have been adopted so far to improve the quality o coal required by the power plants an why they have not produced the desired results. Merely to ask the members o the task force to go round the countr and ascertain the nature of the difficultie faced by the power plants is not going t enable the latter to get the right typ of coal. The relevant facts and figure are already with the Ministry. All tha Mr Choudhury need to do is to identif quickly the major impediments an adopt effective measures to deal wit them. For example, Coal India Limite has installed about 84 coal handling plan to supply standard quality of coal to th thermal stations. To what extent hav these plants helped to improve the qualit of coal ? How many more such plan are needed and how long will it take for the Government to provide them ?

The Coal Consumers' Association of India has drawn the attention of Mr Ghani Khan Choudhury to this problem on several occasions. On September 12, 1981, it made a representation to the Minister in which it said that "the single biggest factor hampering the unloading operations and creating other problems and difficulties in power plants is the supply of oversized coal." The Association revealed that the Santaldih power station generally received about 30 per cent oversized coal and that many power stations were not supplied coal from the linkage collieries. The Association added, "The moisture content in coal supplies remains erratic, not to speak of lot of shales, dust and other impurities which damage their costly equipment resulting in lower power generation. The crushers are not designed to handle very big chunks of coal and if they are continuously fed with such coals for years, the crushers are bound to get damaged, creating operational problems." Mr Choudhury, therefore, should clearly and specifically spell out the tasks before the task force and seek their advice on how quickly the difficulties can be overcome in supplying the proper quality of coal.

R. J. Venkateswaran writes from Calcutta

There has been no dearth of funds for the Department of Coal. The Union budget for 1981-82 had originally provided Rs 610.13 crores for this department, but this was raised to Rs 713.81. crores. The Government has explained that this increase became necessary "for maintaining the pace of development of the major coal projects linked to priority consumers like steel plants and thermal power stations and for housing satisfaction for colliery workers." The budget for 1982-83 has stepped up the outlay on coal to Rs 974.93 crores. The Government should ensure that these amounts are spent in the most efficient manner so that, while increasing the output of coal, proper attention is given to improve its quality.

But the thermal plants can make the best use of coal only if they tone up their working by better maintenance. Their deficiencies have been already identified clearly and the time has now come to adopt bold measures to deal with them. An official survey has said that improving the plant load factor from 45 per cent achieved in 1980-81 (it was 55.3 per cent in 1976-77) to 58 per cent would help to increase generation from the existing thermal capacity by about 29 per cent and raise the total electricity output by 16 to 17 per cent. According to the survey, "this would more than wipe out the present power deficit." Mr Ghani Khan Choudhury, therefore, should give greater attention to both coal and power. For the power sector also, the budget has substantially increased the allocation of funds to Rs 905.36 crores in 1982-83 compared to the revised figure of Rs 781.51 crores in 1981-82 and the original estimate of Rs 753.47 crores. Mr Choudhury's Ministry, therefore, should be able to show a far better performance in the current year and in the coming years.

W. Bengal: Labour's Gains and Losses

THE *Economic Review 1981-82*, issued by the Government of West Bengal, has given an encouraging picture of the performance and prospects of industrial labour in the State. It has revealed that the number of registered working factories increased from 5,707 in 1976 to 6,421 in 1980, the average daily employment from 835,000 to 875,000, the average annual earnings of workers drawing less than Rs 1,000 per month from Rs 5,606 to Rs 7,772, and their average real earnings from Rs 1,933 to Rs 2,072. The Government has claimed that, as a result of the various measures adopted by it, the organised workers have been able to improve their bargaining power. This is also reflected in the reduction in the number of lay-offs in West Bengal from 418 in 1976 to 60 in 1981 and the number of persons affected from 84,813 to 5461 in the same period.

Another achievement is the settlement of industrial disputes through the inte vention of the State Government. T percentage of disputes resolved throu conciliation increased from 21.18 in 19 to 26.72 in 1981. The *Economic Revi* has said that "this fact of interventi is to be combined with increases employment and earnings of the worke to understand the character of the Sta policy in the sphere of labour relatio in recent years". The State Governme has also sought credit for generatir about 50,000 additional employment its offices between 1977 and 1980. Th figure compares with the addition employment of 7000 created in t Central Government's offices in the We Bengal in the same period.

The Other Side

But the statistics revealed by th Government of India indicate that th labour situation in West Bengal is n as satisfactory as claimed by the Stat Government. The Union Deputy Minis ter for Labour, Mr Dharam Vir, told th Rajya Sabha on March 25 that Indi lost 73,096,000 mandays in strikes an lock-outs from April, 1979, to Decembe 1981, and that the value of productio lost amounted to Rs 1029.85 crores an of wages Rs 101.13 crores. He disclosed that the loss of mandays was the highest in West Bengal, amounting t 19,324,000, followed by Tamil Nad 16,019,000, Maharashtra 6,764,000 an Karnataka 5,159,000. The productio loss in Maharashtra was Rs 116.16 crores and in West Bengal Rs 65.09 crores. The wages lost were Rs 23.80 crores in Maharashtra, Rs 17.84 crores in Karnataka and Rs 11.01 crores in West Bengal.

The Government of West Bengal may take comfort from the fact that the labour situation in the State is not really as bad as alleged by its critics since the loss of production and of wages in 1979-80 was far lower as compared to Maharashtra. Nevertheless, the West Bengal Government should take greater care in improving industrial relations. While supporting the reasonable demands of the workers, it should see to it that violence and indiscipline in various forms are effectively checked and that the rights of employers are safeguarded.

It is mainly for the State Government to create an atmosphere more congenial to improve productivity. As fresh investment in West Bengal has not been forthcoming on a large scale, despite its vast potential, and as industrial sickness continues to persist in an acute form in all categories of industries, the State Government has to handle the problems of labour-management relations with more realism, tact and firmness.

It remains to be seen to what extent the State Government will take effective steps to check the tyranny of trade unions. The increasing lawlessness in the coalfield areas is attributed largely to the inter-union rivalries. It is estimated that in the last fifteen months there were in these areas 14 murders, 82 gheraoes and 34 incidents of assaults. Mr Ghani Khan Chaudhury during his visit to West Bengal in March this year was reported to have gathered all details regarding the problem of law and order in the coalfield areas and taken them to New Delhi. But the Centre can do little to improve the situation unless the Government of West Bengal plays a more active role.

What is even more regrettable is the persistence of lawlessness in the Government hospitals. The Government of West Bengal recently issued orders to the effect that strikes and slogan-shouting would not be permitted in hospitals. But in the last few years, acts of indiscipline have been not only tolerated but even encouraged almost in every field with the result that the Government, despite its popular support, finds it difficult to control.

Outlook for Nuclear Plants

T.T. Vijayaraghavan writes from Bombay

THE SECOND national symposium on operating experience of nuclear reactors and power plants was held in Bombay in the last week of March. It was a follow-up of the First Symposium held in February in 1977. It is a useful exercise to take stock of the performance of the power plants from time to time. Failures have to be critically examined so that management of the existing and future units can be such as to achieve better capacity utilisation. The capacity factor of the Tarapur Atomic Power Station, which used to be around 60 per cent has slid down to around 50 per cent. This is due to reduction in the maximum operating power level mainly on account of uncertainties in supply of fuel and the need to stretch out the available fuel. Dr M.R. Srinivasan, Director, Power Projects Engineering Division, in his keynote address pointed out that efforts are on to find an alternative solution to keep the Tarapur reactors going even if the contracted fuel supply from US is unilaterally discontinued. The Rajasthan atomic power station unit-I, after some initial problems, settled down to reliable operation. During the calendar years 1979 and 1980, unit-I of RAPP achieved capacity factors of 64.9 per cent and 54.2 per cent with corresponding availability factors of 84.2 per cent and 73 per cent, respectively. Towards the end of 1980, the second unit of RAPP was started but it could not achieve full load operation. The year 1981 has not been a good year for Rajasthan Unit-I but Unit-II performed satisfactorily though at reduced power level.

Dr Srinivasan pointed out that they were laying great emphasis on training of personnel to operate and maintain the nuclear power stations. A nuclear training centre set up for this purpose has been functioning at RAPP. Here, all the professionals and technicians undergo initial training and also further qualification training at various stages appropriate to their roles. A sophisticated training simulator is also being added to this training centre. This is being built entirely with indigenous know-how. Operating personnel will have the benefit of a more result-oriented training in this facility. It is likely that this will give them a better understanding of the operator response (and limitations) for abnormal and emergency situations without having to go through actual situations.

It may be recalled that when the decision was taken to go in for the first nuclear power station at Tarapur, there was cynicism in some quarters. The jibe was that when a man is hungry he goes and buys a loaf of bread but does not set up a bakery. Much water has flowed since then. Today TAPS with an energy cost of 18 or 19 ps/KWH is the cheapest non-hydel power in the country and has thus falsified many gloomy prophesies. But we cannot ignore that nuclear power projects as well as heavy water projects have experienced considerable delays, cost increases and operational problems, not to mention the political arm twisting with regard to certain essential supplies.

The Crossroads

The country evidently is now at the crossroads as far as nuclear power development is concerned. Dr Srinivasan felt that it would be right for a bold initiative for expanding the nuclear power programme. With many achievements to their credit with regard to the engineering and fabrication of critical components and the impressive industrial and research infrastructure that had been developed, a target of 10,000 MWe of nuclear power by the turn of the century appeared feasible. The package envisaged was 10 units of 235 MWe on which work should start in the next few years to be followed by 12 units of 500 MWe which should come on line in the period 1993-2000. There would have to be matching investments in production of heavy water, new uranium mines and other industrial inputs. Such a programme could make an important contribution to the power needs of the country and even more significantly lay the base for a mature nuclear power industry. At about 75 per cent capacity factor for a nuclear stations situated more than 800 kilometers or so from a coalfield, the cost of nuclear power compares very favourably with thermal power.

Dr Homi N. Sethna, Chairman, Atomic Energy Commission, in his address pointed out that power plants in this country are growing bigger in size and have been incorporated with greater indigenous technology. The country's largest unit in an advanced stage of construction is a 500 MWe fossil fuelled plant located just outside Trombay. In the context of the limit ed financial resources available to the power sector, the installed capacity has still to catch up with load demands. We have to recognise that adequate reserve capacity is necessary for assuring stable and reliable grid conditions. Such reserves are invariably provided in many countries. This however, is not the case in India. The lack of sufficient reserve installed capacity together with low capacity factors achieved in our country has resulted in a critical power situation. It was, therefore, appropriate that the Symposium should address itself to the causes for low capacity factors and look for possible remedial measures. The power station managers cannot achieve this in isolation and require the support of designers, manufacturers and R&D personnel. The plant managers have, in addition, to consider improvement of in-house skills both managerial and technical, of the operations and maintenance personnel.

The Mis-match

Dr Sethna said that many of the earlier thermal power plants were designed and built in accordance with standards relevant to the country of origin. For example, use of coal with ash content higher than that considered in design, had resulted in more rapid deterioration of boiler tubes and associated auxiliary equipment, reduced output and caused more frequent repairs. Also in the drive towards indigenous manufacture of a large variety of equipment, there had been the inevitable learning process. A mis-match between the installed capacity and peak load, he said, requires adherence to proper discipline to ensure stable voltage and frequency conditions both in the interest of power plant hardware and consumers. Discipline of the required standard for this purpose is still to be achieved. The adverse effect of voltage and frequency swings is a matter of serious concern specially in the case of nuclear power plants and other large thermal units. It is, therefore, necessary that the concerned authorities should review the present policies and practices and bring about improvements. It is a matter of cancern that Maharashtra-Gujarat System, which was by far the best system in the country until a few years ago, has in the last year or two resorted to sustained low frequency operation.

Dr Sethna pointed out that an aspect that requires attention was quality consciousness and adherence to delivery schedules by manufacturers. For the procurement of items for nuclear power plants and other nuclear facilities, the Department had put in significant efforts to ensure achievement of quality. In the present climate in which the manufacturer is able to sell his products easily, our adherence to rigid standards has contributed to considerable delays of the projects. In the national interest, manufacturers should pay greater attention to achieving quality without delays. They should also take the initiative in learning from the experience of users of their products and modify the design and manufacture and operating practices appropriately. Such feedback would contribute significantly in reducing project delays and improving reliability of operation.

Referring to certain other aspects to be considered by plant management for improved performance, Dr Sethna said build-up of competent manpower required formal training and re-training prograr mes. Establishment of certification pr cedures for key positions would go a lor way in improving performance of me The surveillance programmes to dete incipient failures and timely maintenan deserve special attention. For reasor beyond the control of those mannir power plants, the attrition rates of trair ed and experienced manpower, both pr fessionals and technicians, is causin concern. The service conditions of powe generation personnel, should therefor be improved adequately considering th onerous responsibilities that they shoulde and the employment scenario.

There are at present over 530 nuc lear units all over the world (either in ope ration or under construction or on orde with an aggregate capacity of 400,00 MWe. Here the performance of the U has been very impressive. Dr Hom Bhabha, the father of nuclear energ in India, is credited with the famous state ment that 'no power is as expensive a no power'. It was recently amended b Dr Bertram Goldschmidt, who is one o the pioneers of nuclear science that 'n energy is as dangerous as no energy' There is much to ponder here.

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Window on the World

Reagan at Odds with Media —and a Fishy Tale

V. Balasubramanian

"WE WANT jobs—not voodoo economics" shouted demonstrating steelworkers when Vice-President Bush visited their plant near Pittsburgh some days back. The President of course is practising what Bush predicted his rival would when the two were contending for the Republican nomination. And when one is deep down in voodoo economics, it is but natural—or it is but supernatural, if you like—that one should fancy that there is sinister magic in the drumbeat in the depth of the jungle. This is precisely how Reagan is feeling now.

The President is now arguing that there is nothing wrong with his economic recovery programme except that the TV networks make it so. According to him, the recession is being prolonged because this media is drumming into the ears of the people round-the-clock downbeat news or, more often, views about his policies and making them lose confidence in the soundness of the administration's plans for turning the economy around. Here he is apt to take himself and his grievance so seriously that he runs the risk of being seen as wallowing in self-pity.

South Succotash Fellow

This danger, indeed, came very close to the White House recently when the President joined issue with a TV presentation of the plight of the family of a crippled worker who, after losing his job following an industrial accident, was also losing his welfare benefits. Both the President and the network in question erred on details, but Reagan failed to get his share of sympathy because he appeared to challenge the news significance of personalised accounts of hard cases as illustrations of the social and economic consequences of his policies. Claiming that he was "the softest touch" the people have ever had in the White House, he said that he resented being represented as "Scrooge", the rich pawnbroker who lacked Christian charity in Dickens' "A Christmas Carol".

Unimpressed by the President's righteous indignation, *The Washington Post* has chastised him sternly but with dignity in an editorial which could be a model for the press in any free society arguing issues with President or Prime Minister without fear and also without rancour or with its own axe to grind. Writes the *Post*:

Small Talk from Washington

"Our guess is that people in Washington are always looking for a single flesh-and-blood illustrative case because they are so sick of the bloodless statistics and trends and abstractions that are the stuff of political discourse here. But the unpleasant fact is that those statistics and trends and abstractions can tell the story. And in the general area the President was complaining about, they just happen to tell a story at variance with the one he wishes were true.

" 'Is it news,' Mr Reagan asked, 'that some fellow in South Succotash someplace has just been laid off that he should be interviewed nationwide ?' Unfortunately it is not news—not news in the sense of being either distinctive or uncommon. They're being laid off in East Succotash too and North Succotash and West Baked Potato. That is what the anecdotal, but undisputed facts and figures show. There is, in short, much hardship proceeding from parts of the President's programme, and much anxiety of worse things to come. Both are real. That is where our quarrel with Mr Reagan's observations lies.

"The President says he resents the implication that he is personally some sort of insensitive, uncaring man on this score. We believe him when he says he isn't. We also believe that it is insensitive and uncaring to try to belittle the economic ordeal so many Americans are enduring. The only way to square these two beliefs is to hold yet a third—namely, that he doesn't know how bad things are. He had better find out. An administration that ignores the economic distress that has become a fact of life for so many of its citizens is in danger of becoming little more than an anecdote itself".

I have quoted at some length, particularly for the value of that devastating last sentence, which surely has a universal validity. Quite clearly it must be as relevant to twenty-point programmes as to supply-side economics that Prime Ministers as much as Presidents overlook at their peril the distance between their macro-level conceits and the micro-level concerns of the people.

Defence Build-up

Incidentally—or, perhaps, not so incidentally—one does not hear a lot these days about supply-side economics in the land of its intended glory. Undeservedly, certainly, it has been gutted before its time by the Defence build-up which has become the President's primary and principal preoccupation. By setting out to pre-empt national resources to the extent of 1.5 trillion dollars for military expenditure over a five-year period, President Reagan has managed to convince everybody that, whatever his philosophical beliefs may be, he is clearly not going about the business of reducing the federal deficits or even moderating the growth of Government spending within the time-frame of his administration. This worries not only the lesser people whose problem is that welfare is being cut when the recession is costing them jobs but also the financial community, businesses, big and small, and the trade unions, including those traditionally powerful, which see no let-up in the high interest rates that are affecting the solvency of savings-and-loan institutions, which are the mainstay of the home-mortgage business, causing bankruptcies and corporate losses and hitting savagely at production and employment in trades and industries, dependent on consumer credit, such as construction and automobiles.

The consequent erosion of faith in him and his presidency in the constituency that he values most has upset Reagan even more than what the media has been doing to him. So much so he publicly pleaded and almost begged for the support of the business community when he spoke to the National Association of Manufacturers a couple of weeks ago.

President's Appeal

Obviously unnerved by a battery of urgings from several influential business groups that he change course by cutting defence spending increases and postponing scheduled tax reductions or put through some revenue-raising measures, the President appealed to this audience to stick with him and not give way to the temptation to haggle about his economic recovery programme. His request that they dissociate themselves from the demand for "quick fixes and fine tuning", however, seemed to have made an impression that lasted only for the duration of his personal appearance at the luncheon meeting.

For, although the NAM automatically pledged then and there its support for his staying on course, within the next 48 hours, it returned to the subject with polite, but nevertheless strong suggestions for reviving public and business hopes for lower interest rates and an early end to recession. The message, from this as from other sources in the buisness community, thus was that the President had better make up his mind to work with Democratic leaders in Congress as well as his own partymen for a consensus that would speed up budget legislation with bipartisan support and diminish uncertainties about the fiscal framework for economic recovery.

EEC : Economic Prospects for 1982

The European Commission now estimates that the economic growth in the member-States of the Community will in 1982 average 1.6 per cent. This is a modest but yet significant recovery from the decline of 0.5 per cent last year.

The new estimate is based on the assumption of an economic upswing in the United States in the second half of the year. Apart from the uncertainty related to this factor, the validity of the forecast will be highly dependent on the possible changes in oil prices, interest rates and the exchange rate of US dollar.

Inflation rates in the member-States of the Community are expected to average 10.6 per cent in 1982, compared to 11.4 per cent last year. Decline is expected to continue in the deficit on the current account of the Community's balance of payments. It fell from 1.3 per cent of GDP in 1980 to 0.8 per cent in 1981, and is expected to fall to 0.4 per cent of GDP this year. The average figure hides the significant differences between the individual member-States. The Federal Republic of Germany is moving rapidly back towards equilibrium, the United Kingdom and the Netherlands are in surplus, and the remaining seven member-States are all in deficits of varying magnitude.

Possibly the unkindest cut of all is that the nation's corporate chiefs, assembled on their own turf, the Business Roundtable, have favoured the tightening up of the leasing provisions of the 1981 tax legislation which allow corporations to buy or sell tax breaks. This particular banquet thrown to the "Fortune 500" and their poorer cousins enables companies making profits to buy tax breaks, which they can use, from companies taking losses, which cannot use them, by an ingenious arrangement Put simply, the former buys machinery which it does not need and leases it to the latter which could employ it, in the process it acquires the tax breaks associated with the cost of the machinery which continues to be on its books as its property. The company which sells the tax break also benefits by being able to expand or modernise its equipment even if it does not have the capisal to invest.

Thus, twice-blessed in a sense, this deal is pure supply-side economics, dea to the President's heart, but, unfortunately, even David Stockman, his ow Budget Director has been moved to describe the transaction as "pigs feedin at the trough". How well-filled th trough is has been just revealed by th bonanza reported by General Electric With pre-tax earnings of $2.66 billion i 1981, it has traded so successfully in buying tax breaks that it may get a net refund of up to $100 million from the federal Government. GE and the oil company, Amoco, which has also made killing, are only the most active among number of firms which have thus go better of Uncle Sam, while such loss making corporations as Chrysler an Pan Am are thankful that they have bee able to solve some of their cash-flo problems by selling tax credits and depreciation write-offs. Quite possibly Presiden Reagan relishes these wheeler-dealers i the corporate sector being featured o the TV networks as little as he does th publicity given to that man in Sout Succotash. Both, in their different ways could embarrass Reagonomics.

TAILPIECE: Early in February, man died in Belgium after eating salmo imported from Alaska. The culprit wa botulism and the contamination had oc curred when cans in which the fish was being packed after processing got perforated due to defective plant operations.

The Food and Drug Administration in the US promptly warned domestic consumers to return the suspect cans to the stores where they bought them. Meanwhile three European countries embargoed the import of Alaskan salmon and the others also got alerted to the scare. This has raised the question: What is to be done with the stocks which can neither be sold at home nor exported to the regular markets abroad ? A truly multimillion dollar question since the two Alaskan canneries whose product has come under a cloud hold between themselves $150 million worth of stocks amounting to about 60 per cent of the entire Alaskan production last year.

Korean Connection

An answer of sorts, however, has come from a helpful group of South Korean businessmen, evidently able to smell a fast buck faster than others may be able to smell fish. They have offered to buy three million cans, appropriately at cutthroat prices, for retailing to their countrymen, who, it may be assumed, are in need of all the protein they get, never mind the source. Their business acumen, if not their patriotism, has been warmly praised.

Predictably, a Republican Senator from Alaska. Mike Colletta calls the deal a great idea since "this would be an excellent opportunity for us to develop a new market"—the assumption, apparently being that enough South Koreans will manage to survive to eat the next shipment. Almost as an afterthought, the Senator notes that Europeans may have turned skittish about his State's salmon, but, thank God, "Third World countries, because communications are less efficient, are not frightened" by the botulism scare. The business partnership of the Alaskan and South Korean entrepreneurs, in other words, has a clear advantage over the South Korean housewives. After this, it almost comes as an irrelevance that the cans are to be inspected before shipment. What would remain relevant is how President Reagan's magic of the market place could work, given half a chance, in aiding the developing world out of America's abundance.

25% Rise in Pak Exports

PAKISTAN'S EXPORTS in 1980-81 recorded an increase of 25 per cent over the exports for the preceding year 1979-80.

For 1980-81 (July-June), Pakistan had set itself an export target of $ 2600 million in value terms. The target was later revised upwards to $ 2,800 million. Pakistan's actual export achievement was recorded at $ 2,957.5 million, exceeding the revised enhanced target. Compared with the export performance of $2364.7 million in the preceding year, exports in 1980-81 were 25 per cent higher. This increase came on top of a still higher growth rate of 38.3 per cent in 1979-80 over the exports in 1978-79.

Major Items

The ten major items of exports were rice ($ 566 m), raw cotton ($ 526 m), cotton yarn ($ 206 m), cotton cloth ($ 241 m), leather ($ 90 m), carpets and rugs ($ 227 m), petroleum and its products ($ 169 m), fish and fish preparations ($ 57 m), guar and its products and tobacco--raw and manufactured. The share of cotton group in total exports improved to 43.1 per cent. The other important export products were synthetic textiles, textile made-ups, readymade garments, hosiery and knitwear, fruits and vegetables, surgical goods, sports goods and engineering and electrical goods.

The trend of exports by economic categories during the last three years (1978-81) indicates that the share of manufactured goods in total exports increased from 43 to 45 per cent, the share of semi-manufactures declining from 15 to 11.30 per cent. The percentage of primary commodities increased from 32 to 44 per cent, mainly due to substantial growth of raw cotton and rice exports.

The destinational pattern of exports reflects significant changes during 1980-81. China emerged as the single largest importer, its percentage share increasing to 12.2 from 6.2 in the preceding year. Iran became the second largest buyer with 7.8 per cent share. Japan dropped to third position from second, with a share of 6.4 per cent. The other important buyers were the USA, Saudi Arabia, Federal Republic of Germany, the UK, Hong Kong, India, Dubai, Cameroon and Italy. On a regional basis, Asia (excluding Middle East) remained the largest market with an off-take of nearly one billion dollars. The Middle East remained the second largest, followed by the EEC and Western Europe, the American region and others.

Total Imports

Pakistan's total imports during 1980-81 were recorded at $ 5408 million, leaving a trade deficit of $ 2,450 million. Imports during 1979-80 were $ 4,740 million. The increase of 14 per cent in 1980-81 was mainly due to POL imports. The principal commodities imported were petroleum and petroleum products ($ 1.535 m), chemical fertilizers ($ 357 m), edible oils ($ 264 m), tea and wheat. (With higher domestic crops, wheat imports have been discontinued since.) The import of machinery (electrical and non-electrical), including motor vehicles, amounted to $ 1,005 million, comprising 18.5 per cent of total imports. The other major import products were iron and steel, yarn and fibre, chemicals, milk powder, sugar, paper and board and cement.

By economic categories, the import breakdown for 1980-81 is : raw materials ($ 2,710 m), raw materials for capital goods ($ 410 m), capital goods ($ 1,503 m) and consumer goods ($ 785 m).

The share of crude oil and petroleum products in 1980-81 was 28.4 per cent of total imports, compared with 22.8 per cent in the preceding fiscal year. The value of crude petroleum increased by 68 per cent, the quantity decreasing by 14.4 per cent. The unit value increase was 96.2 per cent.

Certification of Documents Under Import Policy

P. Chattopadhyay

Multiple statements containing similar types of particulars are required to be furnished by an importer for purposes of licences, reliefs or rebates. The importer is required to visit various authorities with heaps of papers a number of times. The author suggests that a passbook may be devised which would contain relevant information backed by audit reports and authenticated at various check-points so that time-consuming duplication is avoided.

THERE ARE different issues on which specific ad hoc certificates are required by Government under the import policy statement for providing evidence of truth with respect to various claims made by importers and exporters belonging to different types of organisations and dealing with different commodities. Several applications are required to be submitted right from the stage of those for recognition as export houses and trading houses to those of actual users licences, registered exporters, automatic licences, supplementary licences, advance/imprest licences, REP licences as also those concerned with pre-shipment and post-shipment financing through banks, claims for rebates, reliefs, concessions, refunds, etc. from Government and other authorities and export-linked imports of various goods, spares and components, raw materials, etc., and domestic sales under IDA credit entitled to all those benefits that exporters generally receive.

Such certification involves detailed examination of all relevant facts and records, attesting the truthfulness of different particulars provided either in reply to the questions asked in the questionnaires or in the columns calling for different details of operations. The elaborate procedures concerned with certification of different kinds and character and import underline different concerned issues that should be considered in some detail. In this respect, the following paragraphs make an attempt to pinpoint some of these issues and the areas where such certification has been called for different purposes.

Right at the outset, it is necessary to mention that proforma applications for import of goods against exports by registered exporters, bank certificates, particulars of exports and imports, etc., have implied professional handling of these applications and the documents required to be attached thereto. On the other hand, for exercising due checks and balances, it has been mentioned that in the context of imported material for stepping up export production, the sponsoring authorities should check whether the imported materials have been properly used by the actual users in their jurisdiction and whether they have a true and proper account of import and consumption in the form and manner prescribed.

Avoiding Contravention

Prompt action has been suggested against contravention of the conditions prescribed under the procedures and import policy statement. In this regard it has also been suggested that chartered and cost accountants as also chartered engineers are expected to exercise due care and diligence in furnishing certificates for different purposes contained in the Import Export Policy. It has been stressed that it is on their responsible discharge of the functions so set down that the success of the liberalised procedure laid down in the Import/Export Policy depends. One of the major aspects of certification relates to that of exports. The *Handbook of Import Export Procedures, 1981-82* enjoins that after shipment the registered exporter should have the exports certified by an authorized dealer in foreig exchange at the time of presentation o export documents to such dealer, i.e the bank, for the purpose of negotiatio and/or collection of bills. While presenting the export documents, the exporter is expected to fill in and give to the bank the declaration in triplicate. There is, of course, a provision for bank certificate covering more than one consignment. The relevant form has been included in the Handbook which is slightly different.

Consolidated Application

In the cases of applications for licences, it has been underlined that a consolidated application for import licence against export of all the products in a product group may be made in the prescribed form. The accompanying documents with such applications are required to have certificates issued by different concerned authorities such as the postmaster in the cases of export by post, certificates issued by land customs authorities, in the case of export by sea bill of lading, invoice certified by a chartered accountant, statement duly certified by exporter's bankers or chartered accountant regarding realization of export proceeds, certificates from chartered accountants in lieu of bank certificate and bank attested invoice.

In the cases of registration of exporters application for registration as export houses and trading houses, application for import of capital goods, application for licences in the cases of newcomers, certificates are necessary as to the truth and veracity of the particulars given. In this respect, the responsibility of chartered accountant, cost accountant and chartered engineer has been specified in the Handbook of Import Export Procedure 1981-82 inasmuch as chartered/cost accountants and chartered engineers have been entrusted with responsible functions under the import policy in various regards. It is expected of them that they will exercise due care and diligence in furnishing such certificates to the applicants concerned. Failure on their part to do so and furnishing of incorrect or improper certificate will render them liable to penal action under law.

Automatic Licence

In this vein the Red Book mentions that applications for automatic licences should be accompanied by a consumption certificate in the form prescribed duly certified by a chartered or cost accountant or the sponsoring authority showing consumption of imported raw materials, components and consumables. It is further enjoined that the chartered or cost accountant should not be a partner, a director or an employee of the applicant firm or its associates. Item-wise break-up of consumption may not be given in such certificate, but the figures of consumption should be given separately for the cases mentioned. It is further mentioned that in the cases of public sector undertakings the consumption statement can be certified by internal auditor. As regards special facilities for export-oriented units, applications therefor should also be accompanied by a certificate as per proforma given in the Import Policy document showing the book value of production and exports during 1979-80 or 1980-81 to be certified by a chartered accountant or cost accountant who is not a partner, a director or an employee of the applicant firm or its associates. As regards import of spares by actual users for the purpose of providing their warranty coverage or after-sales service to their customers, applications should be accompanied by a certificate from a chartered or cost accountant as to the eligible annual production figure which is required because the import of spares is allowable on the basis of one per cent of the sale value of production during the last three years.

In the cases of imprest licences, it is desired that a certificate from a chartered engineer is to accompany underscoring the product to be exported, the items for import or the value of the imprest licence applied for. Imprest licences are considered only if the export product contains a minimum value addition of twentyfive per cent in lieu of the certificate by a chartered engineer, in the cases of textile and chemical industries, the certificate should be given jointly by the chief technical officer in charge of production of the applicant unit and a chartered accountant or a cost accountant.

Application for registration as export houses should be accompanied by a statement of exports which should be certified by a chartered or cost accountant. The multipart statement of exports, imports of materials, resultant products, and other details have been appended. This statement requires fairly sensitive accounts keeping with respect to details of materials input, materials to be imported, detailed particulars of exports, duties, etc. paid. The proforma of application for grant/renewal of export house certificate and the proforma of the certificate of the chartered accountant to be given in consonance with the conditions laid down in Appendix 23 (p. 217 of the *Import Policy* document) require a close examination.

Duplication of Records

A similar certificate incidentally is also to be given in the case of application for recognition as a trading house. The nature of the details required to be given in various statements to be submitted to different authorities connected with import and export presupposes a good degree of sophistication in the maintenance of accounts and in the management information systems. The certificates required also imply undertaking large responsibilities by the chartered accountant or cost accountant who may insist that both maintenance of accounts and the MIS should be sensitized in such a way as to provide correct information on an expeditious basis on which a clear picture can be drawn.

In this regard it is also noticed that for related but separate purposes, certificates are required to be given along with various documents to be filed with different authorities, starting from the time of exporting to that of import of materials, spares and components as also to apply for realization of proceeds through banks and claim of different rebates, reliefs, concessions, etc. As mentioned earlier, an ad hoc approach rules the scene albeit the fact that the particulars required imply a good deal of organized approaches to the question.

Repetitive Statements

Several statements contain similar types of particulars to be given on a repetitive basis. A large part of this repetition could be avoided if a composite statement could be prepared on a periodic basis according, as desired, found expedient or deemed necessary, say quarterly, half-yearly or annual statements implying some continuity in the effort of the exporting organisation, may be of different descriptions. Maintenance of passbook by exporters has been suggested to be certified by various authorities at the time exports are effected. The Import Policy document does mention that based on the f.o.b. value of exports the Reserve Bank of India will issue a blanket passbook to each export house releating the amount of foreign exchange for the purpose, equal to 25 per cent of the f.o.b. value of exports subject to a maximum of Rs 7.5 lakhs. It is mentioned that such a passbook will enable the export house to remit foreign exchange for purposes like expenditure on promotional activities. This passbook, however, is expected to serve only a limited purpose. If a passbook could be issued by the Ministry of Commerce taking a multi-purpose purview, it could serve the purposes much better.

Such a multi-purpose passbook would not only concern itself with foreign exchange earning and expenditure but also exports effected in quantitative and financial terms, foreign exchange of different countries earned over a period of time, import of raw materials, spares and components necessary for maintaining export production, turnkey exports, export of services and the typical requirements of export of invisibles o various kinds, sales to foreign tourists, sales to IBRD/IDA projects and so on.

For throwing up such details on a regular and continuous basis, it is essential that all recognised export houses and trading houses should be cost audited. It is also essential that all export units, desirous of availing themselves of various export promotion schemes formulated by the Government and other agencies, should submit their export budgets for the next budget period divided into quarterly efforts and showing production, export, import and all other details that provide check points for control. While individual applications for different purpoees may not in that case be accompanied by certificates, cost audit reports and other relevant particulars entered into the passbook can afford a much better organised picture of the total effort. In such cases, where such a multi-purpose passbook is maintained, the passbook number may provide the initial scale of reference. At present, the same exporter is required to visit different authorities with heaps of papers and different certificates for consideration either for grant of licences or of recognition or of various rebates reliefs, concessions, etc.

The design of such a passbook may be considered a little complicated at the beginning but considering that the statements given in the *Import Policy* documents and the *Handbook of Import Export Procedures*, 1981-82, particulars taken therefrom may be given a condensed form in the shape of a proforma. The mention of the passbook number should be considered a conclusive proof of the veracity of such statements. We have elsewhere suggested that recognised export houses, trading houses and registered exporters should be given permanent account numbers analogous to those to income-tax payers. Such permanent account numbers may be recorded in the passbook. Names of bankers and other relevant particulars may also be included in the passbook. Maintenance of the passbook implies that no entry in the passbook is made by the exporter himself and in each case an entry made in the passbook should be authenticated by requisite authority. Once this is done what appears complex now may turn itself into a handy mechanism substituting cumbersome procedures that now obtain. In this respect, it may also be considered feasible that where an exporter dealt with different commodities or products, it would be logical to divide the items into A, B and C categories depending on the technological complications, import requirements, added value, export quantity and foreign exchange. Separate passbooks may be allowed for each A class item and for some B class items while for others among the B class items and C class items, one passbook may be given, providing the picture in the aggregate or in suitably devised column heads. Such passbooks may have currency for a period of at least five years, may remain subject to inspection up CCI & E or his designated officers, may have loose leaves keyed together. These passbooks may be priced.

Industrial Licensing and Growth of Entrepreneurs

S.R. Madan and R.R. Azad

The Government's industrial policy has been laying stress on the development of small-scale industries and the growth of new entrepreneurship. The authors after a study of the incentives provided for small industries have come to the conclusion that licensing has only a limited role to play in supporting the development of medium and small-scale industries. Other instruments such as adequate finance, technical assistance, raw material supply, training, etc, have a direct bearing and make greater contribution to their growth. They suggest that agencies should be set up at the district level to guide and encourage young entrepreneurs to enter the field.

NDIA IS a vast country of rich natural nd human resources. Its development, herefore, depends on how natural and uman resources are best utilised. After ndependence the Government adopted ne concept of mixed economy for indusrial development. Although the public ector has expanded considerably, the role f private sector has in no way got reduced. In the years immediately succeeding ndependence, the Government laid more mphasis on the development of large-cale industries being run mostly by big ndustrial houses. Later on, it realised that these industrial houses concentrated economic power in their hands. It was also felt that employment potential could not be created to the extent required by the nation. The industrial development also got localised in certain developed areas of the country. Industrial skill and experience became the property of a limited few. Savings of the people living in rural areas and smaller towns were not forthcoming with the result that mobilisation of capital for industrial development became insufficient.

There was, therefore, felt a need for the development of the economy in such a way that the concentration of economic power was reduced, more and more employment opportunities were created, the savings so far remaining untapped were utilised for further capital formation, industries were established for bringing about a balanced regional development and industrial experience and skills were not allowed to remain confined to a few. The Government of India, therefore, started laying greater emphasis on the development of small industries and encouraging competent small and medium entrepreneurs. Recognising the need of encouraging new entrepreneurship, the Industrial Policy Resolution of 1973 stated: "The small and medium entrepreneurs will be preferred vis-a-vis the larger industrial houses and foreign companies in the setting up of new capacity....Other investors will be allowed to participate in the production of mass consumption goods only if there are special factors such a sizable economies of scale resulting in reduced prices, technological improvements, large investment requirements, substantial export possibilities or as part of modernisation. Government also intend to enlarge and intensify a variety of positive measures designed to promote the growth of small and medium entrepreneurs".

The Licensing Policy Statement of 1977 restricted the expansion in the capacity of large houses which were engaged in the manufacture of items reserved for small scale sector and proposed to reduce the share of the large houses in the reserved items for small scale sector in future. The introduction of the tiny sector for industrial units with investment in machinery and equipment upto Rs one lakh and situated in villages and towns with a population less than 50,000 is also a step towards the growth of new entrepreneurs. Similarly, the purpose of redefining the small-scale units and raising of investment limit in the latest Industrial Policy Statement of July 23, 1980, is meant for providing a check on undue competition between large-scale and small-scale industries to the furtherence of new entrepreneurship. Following are some of the hurdles that have always stood in the way of the growth of the new entrepreneurship required badly in India.

Stiff Competition

Although the Government has reserved a large number of items (843) for production in small-scale sector, entrepreneurs in these industries have still to face competition from larger houses, FERA companies and multinationals. The point can be explained by some illustrations. Tooth-paste has been reserved for the small-scale sector since 1970. A very large share of the tooth-paste market is fed by multinationals and FERA companies and the share of the small-scale sector is very small. Although tooth-paste market is a growing and prosperous one, yet the small-scale sector units find it next to impossible to compete with the multinationals. Brand consciousness, marketing and technological strength and many other factors favour large-scale operations to the disadvantage of the new entrepreneurs in the small-scale sector. On the other hand, it is very rightly argued that in point of fact, it is the multinationals and FERA companies which benefit from the reservation because the large Indian corporate sector is not allowed to enter this line of production.

Similar has been the result in the case of grant of licences to the new entrepreneurs for setting up mini-steel plants for as much as four million tonnes of annual capacity. Many of these entrepreneurs later came to grief because they could not face competition from the integrated steel plants due mainly to their high unit costs and being relatively energy intensive.

Luxury Items

Second, it is disheartening to note that reservation has been made for small-scale sector in industries for products which are luxury items. The units in these industries have to depend for their viability largely on the demand from the black money holders, the super rich or from the conspicuous consumption life styles, on which the Government tries to put a curb. The new entrepreneurs enter these lines of production because they are lucrative and make the entrepreneurs eligible for obtaining incentives provided by the Government. The base of the operations of these units is, in many cases, week because they belong to low priority sector. It is strange that the Government of India in its budget presented in 1977 announced that small-scale units alone would be eligible for investment allowance in respect of some industries (in the 11th schedule) which were low priority industries. This is some thing like putting up a board at the entrance of a thick forest which announces "warning! thick forest inside: wild animals and reptiles: children and men without arms are welcome!"

On the other hand, the policy of the Government has been that of showing unusual consideration for MRTP/FERA companies making them eligible to enter selected 19 industries of basic, critical and strategic importance for the growth of the economy. Thus, while the units in these selected industries will continue to remain viable because of their importance for the growth of the economy, the small-scale units and the would-be entrepreneurs would be left in the lurch because of the insignificant importance of their products in the economy. Thus, the policy of adopting product planning (including products which are open to them) for large companies and the policy of financial planning (leaving them to produce what they like as long as their financial investments in plant and machinery are within the specified limits) for the new entrepreneurs in the small-scale sector has proved a hurdle in the growth of new entrepreneurship.

Third, growing incidence of sickness in the units of small-scale sector has been responsible for providing discouragement to the new entrepreneurs. According to the official statistics at the end of 1979 there were 20,975 small-scale units and 1,023 medium-scale units which were declared sick and bank credit of the order of Rs 262 crores was blocked with them Sickness among the small-scale units may be more widespread than these figures suggest if we take into consideration the facts that (i) banks take a long time befor admitting in public sickness of thei client units, and (ii) the number of small scale units outside the scope of bank credit must necessarily be very large.

Inadequacy of Finance

Sickness in the small-scale sector may be caused by inadequacy of finance, inadequate and irregular supply of electri power due to power cuts, inability of the units to compete favourably with th large-scale units and also their mis management. Sickness in the small-scal sector, has, in fact, discouraged th prospective entrepreneurs in setting u new units.

Fourth, according to the report of census covering 1.4 lakh small-sca units registered with the State Governme authorities published in 1977,[1] 97 p cent of the small-scale units had inves ment in plant and machinery of Rs lakhs and less, and the rest three per ce had investments between Rs 3 lakhs Rs 7.5 lakhs. The units with investme of less than Rs 3 lakhs accounted f about 80 per cent of the total producti in the small-scale sector. It should noted in this connection that the Government as a matter of policy had been raising the limit of investments for the units covered by the definition of small-scale units. This limit was Rs 5 lakhs when the concept was introduced in 1960. It was raised to Rs 7.5 lakhs in 1966 and to Rs 10 lakhs in May, 1975. The limit was further raised to Rs 20 lakhs in July, 1980. Raising of this limit, it appears, would benefit at best the largest among these three per cent units. It will in no way touch 97 per cent of the small units which account for about 80 per cent of the output.

Viewed from the angle of advances to small-scale industry, one can find that the largest among the small have appropriated the benefits at the cost of genuinely small units. The borrowings from all sources, financial institutions and others, provided 28 per cent of total funds for the small units compared to 38 per cent for the larger ones. Similarly, borrowings from the financial institutions as proportion of total borrowings were lower at 69 per cent for the small units compared to 74 per cent of the larger ones. Thus, the small units have much less access to borrowed funds compared to larger units. They have, therefore, to depend on sources of their own (43 per cent of total funds as compared to 28 per cent for the larger units) rather than on the borrowings from banks and other financial institutions.[2]

Favourable Treatment

We can, hence, come to a conclusion that the policy of raising limit of investment has benefited the new entrepreneurs who have invested in their units Rs 3 lakhs or more. Similarly, the new entrepreneurs have been attracted to this group also because of the favourable treatment meted out to them by the, financial institutions. The policy of the Government and the practice in giving advances followed by credit lending institutions have ignored the smallest among the small, thereby providing discouragement to the new entrepreneurs in the field of small-scale sector.

Finally, it is an irony of the fate that the prospective Indian entrepreneurs are unable to avail themselves of the facilities and other incentives provided by the Government to the small-scale sector. One of the most important reasons for this sorry state of affairs is that the country has not been able to make available facilities for providing guidance to the prospective entrepreneurs for selecting sites for the units of their choice. There is also a dearth of such Government agency which may provide them with the knowledge of the facilities being made available to the entrepreneurs. Further, we also lack in the training facilities which may be of use to the new entrants to become eligible for availing of the facilities meant for the new entrepreneurs.

The industrial licensing policy has been laying stress on the development of small-scale industries and the growth of new entrepreneurship since its inception.

Role of Licensing

The Karve Committee emphasised the role of industrial licensing in the development of small-scale industries. The committee was of the opinion that by restricting the growth of large-scale industries in the production of consumer goods, the objective of promoting small-scale industry could be achieved. The Industrial Policy Resolution of 1956, while laying emphasis on the improvement in the competitive strength of the small-scale sector, suggested certain restrictions on the volume of production in the large-scale sector. The Planning Commission while endorsing the views expressed in the Industrial Policy Resolution of 1956, supported the development of ancillaries and also the encouragement to the new entrepreneurs. In the Industrial Policy Statement of 1973, the Government stated that it would continue to encourage competent small and medium entrepreneurs in all industries including those listed in Appendix I of this policy resolution. Such entrepreneurs, according to the policy statement, "will be preferred vis-a-vis the larger industrial houses and foreign companies in the setting up of new capacity". The Government also intended to enlarge and intensify a variety of positive measures designed to promote the growth of small and medium entrepreneurs. By keeping the larger industrial houses and dominant undertakings away from the exemption limit from licensing provisions applicable to substantial expansion and new undertakings upto Rs one crore and making the definition of larger industrial houses consistent with the one adopted under the MRTP Act, the Government hoped that large undertakings would not be able to enter into the areas primarily meant for medium and new entrepreneurs. The policy also stated that reservation for the small-scale sector will continue.

Government Policy

The Government pointed out in 1977 that it was the policy of the Government that whatever could be produced by cottage and small-scale industries must be so produced. For this purpose, exhaustive analysis had been made to identify such items which were capable of being produced or expanded in the small-scale sector. Since then this list has been continually reviewed so that capacity creation did not lag behind the requirements of the economy. The policy statement of 1977 also gave special attention to the establishment of units in the tiny sector. Schemes have been drawn up for making available margin money assistance to these tiny units in the small-scale sector. It is claimed by the Government that the introduction of tiny sector is also a step towards the growth of new entrepreneurship.

The Government created an agency popularly known as District Industries Centres for dealing with all the requirements of small-scale industry. As these centres provide all services such as investigation of raw material and other resources, supply of machinery and equipment, provision of raw materials, arrangement for credit facilities, effective set up for marketing and a cell for quality control, research and extension, they are an indirect part of licensing policy to encourage new entrepreneurs in the field of small-scale sector.

The Government in its latest policy statement of July 23, 1980, raised the limit of investment in the case of tiny units from Rs one lakh to Rs two lakhs, in the case of small-scale units from Rs 10 lakhs to Rs 20 lakhs, and in the case of ancillaries from Rs 15 lakhs to

Rs 25 lakhs, with a view to putting a check on the tendency to circumvent the present limit by understating the value of machinery and equipment, falsification of accounts and resorting to 'Benami' units. It is claimed that this will also help to provide a check on undue competition, and encourage the young and technically qualified entrepreneurs to set up new units in the small-scale sector. In order to co-ordinate the flow of short-term and long-term capital for the small-scale sector, the Government will also evolve such a system that helps ensuring, the flow of credit to the growing units on appropriate terms and at the right time.

Lack of Raw Materials

In view of the fact that the growing units in the decentralised sector often feel difficulty in obtaining essential materials, the policy envisages to introduce a scheme for building up of buffer stocks for them. Special needs of States which rely heavily on a few essential raw materials will receive priority. For upgrading the technology of small-scale units this policy statement provided for the setting up of nucleus plants. All these steps, it is asserted, will go a long way in encouraging the new entrepreneurs to come up with new units in the small-scale sector.

An examination of the manner in which licensing has affected the growth of small-scale industry reveals that it has contributed to the growth of small industry only in the industries in which there was a clear policy about the role of small, medium and large sectors. In the case of assembly industries, the manufacture of some parts requiring sophisticated equipment may have to be produced by the large scale units for the benefit of the small-scale units. In reality, we come across with such instances where licensed capacities for such components were much larger than the capacities licensed for end-products. Similar has been the case with the licensing of certain chemicals manufactured by large-scale units for being used as raw materials by the units in the small-scale sector. It is important to mention that the licensing policy has not always been consistently followed. The fact is supported by the Dutta Committee Report which reads: "We cannot say that the approach adopted by the licensing authorities in the radio receiver industry has adequately supported the small and medium sector".[3]

As far as limiting the growth of large units by the reservation of certain products and processes in the small-scale sector is concerned, it may be stated that the objective can be achieved only to a limited extent and that too if the basis of reservation is the proper techno-economic studies. Similarly, the growth of small units to the encouragement of new entrepreneurship through coordinating the flow of capital will be possible only when the Government, evolves a system whereby the smallest in the small is benefited.

In a nut-shell, we can say that "Licensing has only a limited role to play in supporting the development of small and medium-scale industries. Other instruments such as provision of finance, technical assistance, raw materials, marketing facilities, training, etc., can make a more direct contribution to the growth of small and medium sectors".[4] The operation of the licensing system must, therefore, be judged in the background of the limitations stated above.

Discouraging Results

A study of the foregoing paragraphs makes it clear that although the government through its policy statements has been emphasising the need for the speedy development of small-scale sector, as also the growth of new entrepreneurship, experience, however, has shown discouraging results. At attempt is being made in the following lines to put forward certain suggestions that may be helpful for generating new entrepreneurship in years to come.

In the first place, we observe that the larger industrial houses/FERA companies/multinationals still continue to participate in the items of production reserved by the government for the small-scale sector. A number of factors including brand consciousness, marketing and technological strengths and many other factors favour large-scale operations to the detriment of the new entrepreneurs in the small-scale sector. Although, reservation of items for small-scale industries had been practised as a measure for putting a check on the undue competition between large-scale and small-scale industries, yet the desired goal does not seem to have been achieved. For overcoming this difficulty, it is essential that in future a convincing case is made out for the reservation of certain products and processes in the small sector on the basis of proper techno-economic studies. Then and only then, shall industrial licensing be able to limit the growth of large units to the benefit of prospective entrepreneurs.

Incidence of Sickness

Second, there is seen a growing incidence of sickness in the units o small-scale sector due to a number o factors stated earlier. Industrial sicknes is one of the most important factors which has been responsible for the slow growth of new entrepreneurship in th small-scale sector. It is, therefore, essen tial that the industry should be brough back to health. It is suggested that th District Industries Centres should b strengthened to make available to thes units regular supplies of inputs like rav materials, supply of machinery an equipment, providing facilities of mar keting, credit, etc. We do not hav to say much against the provision c incentives to these sick units for enab ing them to stand on their own leg But we have to suggest that certa incentives or rewards should also t introduced for those new entrepreneu who write a success story and keep the units in first class health. Furthe penalties should be prescribed for tho who wilfully mismanage their units r sulting in their sickness. Our poli should be such which encourages t true industrial entrepreneurship that v take a long term interest in projects a wishes to be successful.

Third, the base of operation of q a large number of units in the small-sc sector is weak because the products t produce belong to low priority sec The entrepreneurs are attracted to t lines of production due to their lucra haracter. The products have weak base ecause they are demanded by such class f community that has such sources vhich are not valid in the eyes of the overnment. For making a strong asis for small-scale industry, it is ssential that the units in this sector hould produce items that are vital for he growth of the economy. We should, herefore, adopt the policy of product lanning for the small-scale industry nd should do away with the existing olicy of financial planning. This will nable us to keep our units viable and ttract new entrepreneurs.

Fourth, the government's policy of aising the investment limit and the ractice in giving advances followed by ne credit lending institutions benefited ne largest among the small at the ex-ense of the smallest among the small nd, hence, did not provide encourage-nent to the new entrepreneurs in the mall-scale sector. This is a very sad ate of affairs. It is also apprehended nat with the broadening of the definition f small-scale industry, banks will provide even larger advances to this sector although a large number of genuinely small-units are driven to the wall for want of finance. The inadequacy of finance not only results in sickness of the small units but also hampers the setting up of new units in the small-scale sector. The industrial units with investment over Rs 3 lakhs are likely to get adequate credit from commercial banks and other financial institutions. For improving the plight of units having investment below Rs 3 lakhs, in general, and the tiny units, in particular, it is suggested that the state financial corporations should play a leading role in providing them required finances. The proposed National Bank for Agricultural and Rural Development (NBARD) should also make available adequate refinance facilities to commercial/co-operative/regional rural banks for helping the tiny units established in rural and semi-urban areas.

Finally, it is rather unfortunate that we are unable to provide the new entrants with the relevant guidance relating to the possibilities of setting up new units in the line of their choice. We also do not have such agencies as are able to let the new entrants know the facilities and incentives available to them in the small-scale sector. To bridge this gap it is essential that we should have an agency at the district level which should not only enlighten the prospective entrepreneurs about the facilities and incentives available in this sector, but should also have qualified staff for suggesting the probable sites for setting up of new units in different lines of production. This will encourage young entrepreneurs to enter the field of small scale industry.

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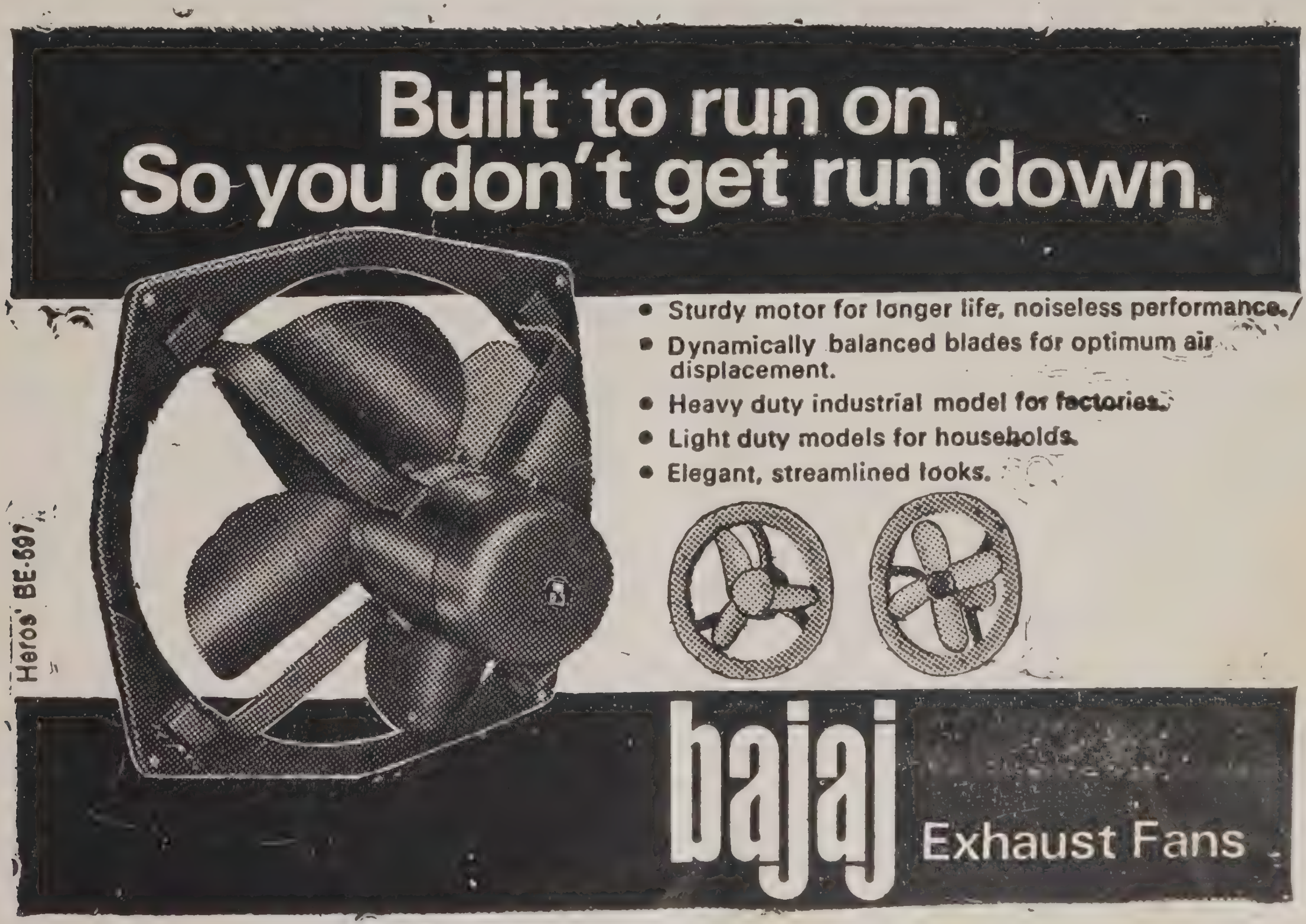
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Rising Output of Electric Motors

THE PRODUCTION of electric motors has been going on in the country for the last more than 30 years although there are still some highly specialised kinds of motors which have to be imported. Of the 36 units in production some have a long-standing experience and were set up with the help of foreign collaborations. Consequently their quality is fairly good and has found ready market in some foreign countries also.

In terms of location of the manufacturers of electric motors it may be pointed out that there has been a concentration in Maharashtra and Gujarat although West Bengal and Tamilnadu also have a number of units. With the establishment of two units in Haryana, two units in Delhi and one unit in Punjab it can be stated that Northern India also has its share of the manufacturing capacity of this important item. In fact Nahan Foundry in Himachal Pradesh also manufactures various kinds of electric motors such as flame proof motors and slipring motors.

Licensed Capacity

The licensed capacity covered by electric motors is 66 lakh HP. At present there are 36 units in production with an installed capacity of 62 lakhs HP. Additional capacity of 3.7 lakhs HP has been approved through letters of intent thus making a total approved capacity of 69.7 lakhs HP. There is also a large number of units in the small-scale sector manufacturing electric motors in lower ranges.

Electric motors of the following description have been reserved for the exclusive development in the small-scale sector: (a) Electric motors 1 HP to 10 HP—AC except special types; and (b) FHP motor—AC—excluding special types.

Imports of motors are generally restricted to large AC and DC motors which the country's manufacturers have not been able to supply either because of design or delivery considerations. Imports are also taking place as spares. The level of imports during the past few years has been of the order of Rs 2 crores.

The report of the Working Group on Electrical Power Equipment set up by the Planning Commission has indicated a demand estimate of 6 million KW by 1982-83 for various types of electric motors. In view of the fact that there is already a proliferation of manufacture, the existing units which have achieved a reasonable levels of capacity utilisation and technical capability would be encouraged to improve their facilities and/or expand the capacity covered by them.

Diversification Plans

The Government permitted diversification in the manufacture of electric motors. Existing units may diversify to manufacture electric motors upto 1000 HP as well as the special types of electric motors within the overall licensed capacity under this notification for diversification. The plant and equipment for the manufacture of motors by and large is available from indigenous sources except special types of testing equipment. Stampings are available indigenously from independent suppliers.

A list of electric motor manufacturers is given below:

1. M/s Bharat Bujlee Ltd, Electric Mansion, 6th Floor, Appasaheb Marathe Marg, Prabhadevi Bombay—Sq. cage upto 50 HP, slipring motors, flame proof motors, Synchronous motors, special motors (variable speed & loom/textile)

2. M/s Bieceo Lawrie Ltd, 21, Netaji Subhash Road, Calcutta-1—Squirral cage slipring motor, flame proof motors, synchronous motors.

3. M/s Bharat Heavy Electrical Ltd, Kasturba Gandhi Marg, New Delhi—Electric motors of various types.

4. M/s Crompton Greaves Ltd, Kanjur, Bhandup, Bombay—Sq. cage slipring motors, flame proof motors, synchronous motors.

5. M/s Coimbatore Premier Corporatio (P) Ltd, Coimbatore—Electric motors.

6. M/s Electric Equipment Factory Bandar Bagicha, Patna—AC electri motors, Sq. cage, slipring motors, flam proof motors, synchronous motors.

7. M/s Gautam Electric Motors, Industrial Estate, Okhla, New Delhi—Sq cage, slipring motors, flame proof motor synchronous motors.

8. M/s General Electric Ci. of (I) Ltd AEI Works, Magnet House, 6, Chittaranjan Avenue, Calcutta—Sq. cage slipring motors and flame proof motors.

9. M/s Hindustan Brown Boveri Ltd Brown Boveri House, Dr Annie Besan Road, Calcutta—Sq. cage.

10. M/s Jyoti Ltd, Industrial Are P.O. Chemical Industries, Vadodara—Slipring motors, flame proof motors synchronous motors.

11. M/s Kirloskar Electric Co Ltd Industrial Suburb, Rajaji Nagar, Bangalore—Sq. cage motors, slipring moto flame proof motors, Synchronous motors

12. M/s Orient General Industries Ltd 111/1, Barrakpore, Trunk Road, Calcutt —Sq. cage.

13. M/s Shriram Refrigeration Industries Ltd, 19-Kasturba Gandhi Mar New Delhi—Electric motors.

14. M/s Texmo Industries, Gnanamb kai Mills P.O. Coimbatore—Sq. cage.

NOTICE

Due to increase in foreign postal rates the foreign subscription rates of EASTERN ECONOMIST have been revised as follows :
ANNUAL (Surface Mail) : $ 50 or £ 25

CHIEF EXECUTIVE

STATE OF THE ECONOMY

rogress of General nsurance

HE DEPUTY Finance Minister, Ir Janardhan Poojary, has id that the General Insurance dustry has made commend- ble progress since nationalisa- on as is evident from the fact at the premium income has one up to Rs 585 crores in 981 from Rs 161 crores in 972. Addressing the valedic- ry function of the All-India ivisional Manager's Confer- nce of the New India Assur- nce Company here recently, he ressed the need for taking e message of insurance to the ommon man throughout the ngth and breadth of the untry. The speech was read y Miss K.L. Mittal, Addi- onal Secretary in the absence f the Minister.

Mr Poojary said that the ogramme of opening bran- es in districts which were ot covered by insurance indus- y earlier should be carried ut vigorously in order to hieve the objectives of natio- lisation.

Referring to the introduction insurance as an elective sub- ct in schools, the Deputy inister disclosed that it is ing to be introduced at gra- ate level also which will nefit the industry on the one nd by providing informed rsonnel and on the other row up employment oppor- nities, specially in the rural eas.

Mr Poojary appreciated the novative scheme evolved by e New India Assurance Com- ny for insuring over 70 lakh all farmers and agricultural bourers in Bihar. He urged e general insurance com- nies to evolve more such hemes to better the lot of the mmon man. He said that ought must be given to centralise power and functions in the insurance industry to achieve greater efficiency and clientele satisfaction.

Credit for Purchase of Tractors

The Reserve Bank has reiterated that the scheduled commercial banks should continue to grant credit to farmers for purchase of tractors. In order to help the banks to extend credit in this sonnection, the Reserve Bank has decided to consider, on merit, provision of discretionary refinance accommodation to the total extent of Rs 10 crores to commercial banks for the period between mid-March and mid-June 1982. Banks desirous of availing refinance are required to approach the Credit Planning Cell with necessary data regarding their overall resources position and the need for refinance to supportt heir operations relating to tractor advances. With a view to maximising utilisation of credit for tractor purchase, the banks have been advised to stipulate a uniform margin of 25 per cent in respect of all such advances.

The attention of banks has been drawn to the latest decision of the Agricultural Refinance and Development Corporation (ARDC) to provide interim accommodation to commercial banks so as to enable them to meet the credit needs of farmers for purchase of tractors, thus facilitating preparatory farm operations relating to the ensuing kharif season. The interim accommodation to be provided to commercial banks will be of the order of Rs 36 crores. It bears an interest of 12 per cent and is to be adjusted within 60 days against regular term loans from ARDC. The ARDC is also providing similar interim accommodation to State land development banks to enable them to meet the credit needs of farmers for purchase of tractors. The total of such accommodation will be Rs 34 crores.

Cement Imports

Nearly two million tonnes of cement will be imported in 1982-83, Mr N.D. Tiwari, Industry Minister, said in Lok Sabha recently. He stated that the total availability of cement this year would be 28 million tonnes. This was seven million tonnes more than the previous year.

With greater availability of cement, he expected the shortages to be removed to a "large extent". Mr Tiwari said the basis of the new cement policy was to ensure that cement, at levy prices, reached the poorer sections of society. The additional seven million tonnes would be available with new capacity. This plus the imported cement—to be regulated at market prices—should have further effect on the market, he said.

The Government, he said, has asked the Cement Manufacturer's Association (CMA) to further reduce the prices.

The Alcohol Paradox

Ironically enough, while distillaries in Uttar Pradesh and Maharashtra might close down for want of buyers, the chemicals manufacturing units in West Bengal will be importing alcohol. Already imports to the extent of 10 million litres have been allowed to West Bengal units, of which four million litres have been received. The balance quantity is expected to be imported in the next few months.

This unusual situation, according to Mr A.S. Ruia, President of All-India Distillers Association, has arisen because of the heavy taxes on alcohol exports from Uttar Pradesh and Maharashtra The consumers in West Bengal find it cheaper to use imported alcohol than to purchase this raw material from within the country.

On an estimated output of seven million tonnes sugar during the current crushing season, the availability of molasses is anticipated to be around three million tonnes. This can meet the alcohol requirements of the country, but owing to the imports allowed to West Bengal manufacturers of chemicals, the surplus molasses from Uttar Pradesh and Maharashtra may have to be exported, unless the incidence of duties on exports to other States is brought down to make indigenous alcohol competitive with the imported stuff. Inadequate lifting of indigenous alcohol, it is feared, may impair sugar output as well.

The producers of alcohol also find the presently fixed price unremunerative. This price was fixed in 1975-76 since when production costs have gone up due to several factors. Distillers' plea for a hike in price have been referred to the Bureau of Industrial Costs and Prices. Mr Ruia hopes that a favourable decision by the Government would follow soon. But simultaneously, he feels, the duties on exports from Uttar Pradesh and Maharashtra too ought to be revised downwards if not abrogated.

Coal Output

Fiscal 1981-82 saw the nationalised coal sector register a vastly improved performance on the production front. Coal India Ltd (CIL) which, with a 88 per cent share in national production, forms the backbone of the public sector coal industry, was able to surpass even the enhanced production target of 108.7 million tonnes. CIL ended fiscal 1981-82 with a figure of 109.53 million tonne which, in relation to 1980-81 showed a straight increase of nine million tonnes.

Mr Ram Nath Sharma, who has been at the helm of affairs of CIL for 38 months, listed, with a sense of satisfaction and with confidence in the future of the coal industry, some of the achievements of CIL. All the four subsidiary companies exceeded their respective production targets and the output-per-manshift, which is the yardstick to judge productivity, rose to 0.78 from 0.71 as at the end of 1980-81. Despatches improved to 103.04 from 92.91 million tonnes in 1980-81 and CIL added three million tonnes to its pit-head stocks which, as of today, stood at an estimated 20.58 million tonnes. And finally, for CIL, 1981-82 would represent the year of its maiden profit. Despite cost upswing on a wide front since the last up-ward revision of prices in February 1981, CIL was expected to earn a profit of Rs 25 crore at least.

At the national level, coal production in 1981-82, according to provisional estimates, rose to 125 million tonnes against the enhanced target of 124 million tonnes and the actual of 114 million tonnes in 1980-81.

The national target was initially set at 121 million tonnes. Later, in September 1981, the target was stepped up to 124 million tonnes, CIL's share, initially placed at 106.2 million tonnes was enhanced to 108.7 million tonnes. Company-wise production figures with targets in brackets are: ECL 24.23 million tonnes, (24.2 million tonnes), BCCL 22.96 million tonnes (22.5 million tonnes), CCL 30.14 million tonnes (30 million tonnes), WCL 31.5 million tonnes (31.3 million tonnes and North-Eastern Coalfields (directly under CIL) 0.7 million tonnes.

Post Office Deposits

On the threshold of its second century, the Indian Post Office Savings Bank (POSB) is poised to become the world's largest single holder of private savings.

Started on April 1, 1882, with a deposit of Rs 28 lakh and 39,000 account holders, the "common man's bank" today has Rs 9,000 crore operated by over 50 million accounts. This represents nearly a quarter of the total deposits in the whole Government banking sector. At present only the Japanese postal savings bank has more deposits than the POSB.

In a way the POSB is nearly 150 years old as it had a predecessor in the Government Savings Bank. The Government bank took shape in 1833 in the form of presidency banks and a number of district saving banks came into existence later. At the time the banks passed into the post office organisation there were only 180 such banks. In the first year itself, their number swelled to 4238.

The main reason for the phenomenal growth of the POSB in the last one hundred years was that commercial banks were beyond the reach of the common people. Their methods were too sophisticated for the common man.

Today, the POSB has 140,000 branches all over the country, with 125,000 of them located in the rural areas. This network cannot be matched by all the public and private sector banks in the country put together.

What attracts the people to the POSB is the various schemes it has introduced to suit diverse interests: small or big, short-term or long-term investors, taxpayers and the like. This variety is a development from 1959. Till then, the POSB accepted only ordinary savings accounts upto a maximum of Rs 15,000 in a single account.

The POSB differs from commercial banks in many ways and is not in competition with them. Its range of clientele is different and its schemes are woven around the interests of that range. Yet, operational facilities are, by and large, the same as offered by the commercial banks.

Today, the POSB offers the facility of deposits and withdrawals by cheques as in commercial banks the cumbersome procedures have bee
removed.

Excise Relief for Air-conditioners

With a view to making ai
conditioners, refrigerators an
water coolers competitive wi
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has decided to grant exem
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official use or by any priv
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use.

Excise Exemption for Zinc Ingots

With a view to avoidi
double taxation on zinc u
wrought once in the form
zinc dust, powder ash e
and again in the form of i

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AN IMPORTANT
DATE FOR YOU

It is the LAST DATE for filing the ANNUAL RETURN of the Salaries paid by you to your EMPLOYEES during the Financial Year 1981-82 and of the TAX DEDUCTED THEREFROM.

The Return in Form No. 24 may please be filed in DUPLICATE.

Failure to furnish the Annual RETURN attracts PENALTY extending to Rs. 10 for every day of DEFAULT.

The forms are available at the counters of all Income-tax Offices.

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DIRECTOR OF INSPECTION
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INCOME TAX DEPARTMENT
NEW DELHI-110001

davp 81/378

gots, Government has decided to grant exemption from full excise duty leviable on zinc ingots if such ingots are used in the manufacture of zinc dusts and the zinc dusts so manufactured are used in the manufacture of zinc, unwrought, witin the factory of production.

Improve Cotton Quality

The Indian Cotton Mills' Federation has drawn the attention of the Agricultural Prices Commission to the need for preventing the cultivation of a multiplicity of cotton varieties so as to impart qualitative improvement to the selected few. At present over 65 varieties of cotton are being grown in different parts of the country. Some States cultivate morethan a dozen varieties with no production advantage of note. It has been the experience of the trade and the industry that too many varieties spoil the quality to the distate of the consumers.

The ICMF has specifically suggested that old and new varieties grown on a small scale should be denotified and the APC should also prevent duplication in releasing new varieties through proper monitoring of research programmes. It was also pointed to the APC that additional measures should be initiated to correct the shortage in medium staple cotton. The feasibility of diverting cultivation from Bengal Deshi to upland varieties like J 34, H 777 or F 414 in Punjab and Haryana could be taken up for examination. This could be restricted to one lakh bales, to start with, to make for additional production of one lakh bales of upland cotton, without any increase in the acreage in the cotton belt in question. Upland cottons call for additional investment on major inputs like fertilisers and plant protection chemicals which many of Bengal. Deshi cotton farmers are in no position to command.

If the Government could provide subsidy to the extent of Rs 200 per acre, these farmers could be encouraged to switch over to the cultivation of American (upland) cotton. The total subsidy for one lakh acres would come to Rs 2 crores. The value of the additional production from the area, at current prices, could be around Rs 20 crores. It has also been suggested by the ICMF that the dryland farmers of Maharashtra State should be induced to adopt timely plant protection measures. Experiments conducted in the farmers' fields in the past five years had consistently shown encouraging results. The variety L 147 grown under timely plant protection umbrella had yielded, on an average, nearly 50 per cent more than that obtained in the adjoining areas. If these measures were adopted the production of medium staple cottons could be augmented without any increase in acreage.

BEL's Export Efforts

The BEL's exports amount to eight-and-half per cent of its total production this year. The BEL is expected to earn Rs 8.5 crore in foreign exchange during the current financial year. But for its commitment to the internal market, the BEL could export 15 per cent of its products. Most of the international customers want supplies at short notice and do not want to wait for a long delivery schedule.

The BEL is expecting a repeat order for a high frequency (HF) communication set developed at the Bangalore research and development wing. The product, in the face of stiff international competition, had earned orders worth Rs 37 crore. BEL's total development expenditure on various products has been Rs 33 crore over the last 27 years.

About 57 per cent of BEL's R and D expenditure has been in the field of professional radio communication.

With the deep involvement in communications systems engineering—radio survey, installation and commissioning—the BEL has been able to undertake turnkey projects like the Indian Oil pipeline monitoring communication network between Haldia and Kanpur and also on the Salaya-Viramgam-Koyali route.

Another turnkey venture has been the Madras-Madrai microwave communication project for the Tamil Nadu police.

A BEL, designed digital computer will form the core of an integrated communication system being developed for naval ships. A new R and D product is the electronic voting device. The Election Commission has asked for 100 sets of the instrument that will eliminate ballot papers and consequently manual counting. The machine can register up to 9,999 votes polled. It will cut administrative expenses and will be particularly good for the urban electorate.

Another new equipment is an automatic testing device for electronic products produced in bulk. Space quality Sillicon technology solar cells developed and produced by the BEL will power future Indian satellites.

Mica Exports

Mica Trading Corporation (MITCO) exported processed mica worth Rs 28.23 crore in 1981-82 as against Rs 21.61 crrore in the previous year. In terms of percentage, there was an increase of 20.2 per cent over the performance in 1981. According to an official release, MITCO is estimated to have earned a net profit of Rs 80 lakh last year recording an increase of 40.6 per cent over the profit in the previous year.

The target for export of processed mica during the current financial year 1982-83—has been fixed at Rs 30 crore. Going by the last year's performance, this target is unlikely to be missed,

The release says the unit value realisation from export of processed mica, which was only Rs 5.60 per kg in 1974-75, Rs 12.23 kg in 1978-79, and Rs 13.08 in 1980-81. The corporation was able to get an additional Rs 2 crore worth of business during 1981-82 as compared to 1980-81. The highlight of the year was that Poland came back to the Indian market by concluding a "huge" contract for supply of mica splittings.

BEL—Brown Boveri Tie Up

The Bharat Electronics Ltd is entering into jont collaboration with leading foreign manufacturers for the international market. The first venture will sell 100 KW medium wave broadcast transmitters in cooperation with a Swiss firm. The first unit is in the final stages of assembly at the BEL plant in Bangalore. It has been designed and developed in collaboration with the Brown Boveri and makes use of most modern techniques, circuits and electronic components. The project reflects increasing recognition of the competence gained in India and development and production of sophisticated electronic equipment.

Names in the News

Mr S. D. Singh, Managing Director, Indian Oxygen Ltd, has been elected Chairman of the Eastern Region of the Association of Indian Engineering Industry for the year 1982-83. Mr Singh is closely associated with the Association of Indian Engineering Industry and was Deputy Chairman of its Eastern Region in 1981-82 and Member of AIEI Executive Council. He is also on the Committee of Bengal Chamber of Commerce and Industry.

Mr Madhav Durga Dhume has been appointed as Secretary, Mahindra & Mahindra Ltd. He takes over from Mr Jayant S. Karkal on his retirement. Before this appointment Mr Dhume was the Chief Administrative officer of the Company and had served as whole-time Director and Secretary of the International Tractor Company of India Ltd, before its merger with Mahindra & Mahindra.

COMPANY AFFAIRS

Century Spinning Maintains Profit

CENTURY SPINNING and Manufacturing Company's profit this year may not be too far away from what it achieved last year, according to Mr S.K. Birla.

Presiding over the annual general meeting in Bombay, in the absence of the Chairman, Mr B.K. Birla, Mr S.K. Birla observed that the company is facing a very serious situation on account of the continued indefinite strike by workmen of the textile division, power-cut and un-scheduled load sheddings and heavy additional burden of Rs 4 crore per annum resulting from an agreement signed with the union at the Kalyan complex.

In view of the partial decontrol of cement, the company may not have more than 2.5 to 3.0 lakh tonnes of cement for free sale and this advantage will be more than counterbalanced by the loss of production in the textile division and rise in the wage bill.

Mr S.K. Birla clarified that at present there is no proposal before the board to issue "rights" shares or convertible debentures to raise additional capital for various projects in in hand. The management intends to finance these projects by internal resources and borrowings from financial institutions.

Referring to the newly-started shipping division Mr S.K. Birla stated tha tthe company has agreed to purchase one ship of 25,000 DWT for about Rs 8 crore by raising loans from abroad. The company intends to buy a few more ships in the near future. At present, the freight market is very depressed, but it is hoped that the situation will improve by the end of this year.

He has said the company is going ahead with its project to manufacture 20,000 tonnes each of pulp and paper in UP. A part of the land has been acquired and buliding consstruction work has started. Orders for most of the equipment required for the project have been placed and the production is expected to start by the last quarter of 1983.

In regard to the Manikgarh cement project, he has said the company has placed provisional orders for the supply of major part of the plant and machinery. The plant to produce one mlllion tonnes of cement per annum is expected to go into production by the end of 1984.

Commenting on the current working of the company's textile division, Mr S.K. Birla stated that only limited production has been going on since the indefinite strike in the textile industry in Bombay, entailing a production loss of Rs 5 crore per month. The cotton season is in full swing and there has been a marginal decline in prices of cotton. Offtake of cloth has also slightly improved recently. But offtake of rayon and tyrecord has been depressed with the division producing only upto two-thirds of its capacity.

Coromandal Fertilizers

The Directors of Coromandal Fertilisers have decided to maintain dividend at 20 per cent for the year ended December 31, 1981.

The company has earned a gross profit of Rs 10.61 crore against Rs 9.21 crore in the previous year, according to brief preliminary figures. After depreciation of Rs 1.74 crore (Rs 1.55 crore) and taxation of Rs 4.50 crore (Rs 3.75 crore), there is a net profit of Rs 4.37 crore compared to the previous year's Rs 3.91 crore.

A sum of Rs 45 lakh (Rs 48 lakh) has been allocated to investment allowance reserve and Rs 30 lakh (Rs 26 lakh) to the general reserve.

Escorts Diversifies

Escorts Limited has signed an agreement with IHI Co Ltd, Japan, for a floating dry dock for repair of ships up to 25,000 tonnes. This Rs 20 crore project will be financed mainly through suppliers credit over a 9-year period and should be operational by the end of this year. The company has also signed a new agreement with Yamaha of Japan for the manufacture of advanced fuel efficient 100 cc motor-cycles. A project for 150,000 units to be set up within 80 km. of Faridabad is under Government consideration.

The company has also received Government approval for the manufacture of 100 to 650 HP diesel engines and wind generators in collaboration with M.A.N. of West Germany, and for the mercury outboard engines in collaboration with Mercury Marine of the USA. The implementation of these projects is progressing satisfactorily according to the company Chairman, Mr H.P. Nanda.

Meanwhile, Escorts has achieved a 19 per cent growth in sales turn-over to reach Rs 241 crore during 1981 against Rs 202 crore in 1980. Profit before tax for the year under review was Rs 17.4 crore (Rs 15.11 crore).

Provision for depreciation increased from Rs 4.57 crore to Rs 5.06 crore and investments in fixed assets were Rs 8.57 crore, mainly for, up-dating production technology.

The Board of Directors have recommended a voluntary increase in dividend to the preference shareholders to the maximum prescribed by the Government, that is 13.5 per cent.

During 1981 the company sold 13,150 Escorts tractors (11,221 in 1981) and 6062 Ford tractors (5908). An additional 1349 Ford tractors were sold by Escort Tractors Limited. Production of Rajdoot motor-cycles shot up from 47,000 units to 51,500 units. Piston assemblies, recorded a gain from 17.80 lakh sets to 18.82 lakh. Automotive shock absorber production rose from 7,94,000 to 10,17,000 units. A substantial growth was also recorded in sales of railway equipment, cranes loaders, industrial equipment and for heating elements.

Larsen & Toubro

The cement project of Larson and Toubro Ltd is expected to go on stream by May next year and the production would commence a few months threafter, according to Mr M. Desai, Chairman and President of the company.

Mr Desai told the shareholders at the annual meeting in Bombay that the Government's new policy of free sale of cement could improve the profitabilit further. The decision as suc for a cement project is a wel timed one.

The shipping project o L and T might also become profitable venture despite th poor freight market, Mr Desa said. This would be possibl because the two acquired bul carriers of the company ar with fuel economy engin and with good resale value.

The Chairman said that th meetings of shareholders ha been convened as directed the high courts of Bomb and Orissa to approve t scheme of amalgamation Utkal Machinery (UTMA with Larsen and Toubro L The meeting of L and T sha holders would be held Bombay on March 31 wh the meeting of Utmal shareholders would be held on April 18, at the registered office of Utmal at Kansbahal, Orissa.

The sales of the company in the first five months of the current year (October, 1981 to February, 1982) were higher at Rs 73.7 crore as against Rs 63.3 crore in the same period of the previous year. Production was higher at Rs 61.1 crore as against Rs 50.5 crore.

Booking of orders during the five months period was Rs 75.6 crore as compared to Rs 51.6 crore in the same period of last year. The order backlog as on February 28, 1982 was Rs 125.7 crore.

Bharat Vijay

The Bharat Vijay Mills Ltd, Kalol, Gujarat has made a lower gross profit of Rs 1.96 crore (after providing Rs 44.61 lakh for bonus) as compared to Rs 2.71 crore in the previous year. The sales have, however, risen substantially to Rs 43.92 crore from Rs 28.47 crore in the previous year.

The Directors have recommended a dividend of Rs 20 on equity shares for 1981. Last year the company paid a dividend of Rs 20 plus Rs 5 making a total of Rs 25. The allocations include Rs 1.20 lakh (Rs 1.20 lakh) for managerial remuneration, Rs 0.43 lakh (Rs 2.02 lakh), for taxation and Rs 46 lakh (Rs 22 lakh) investment allowance. The company has made a net profit of Rs 54.45 lakh.

Assam Brook

The pre-tax profit of Assam Brook Estates Ltd has risen to Rs 43.11 lakh for the year 1981 from Rs 33.89 lakh in the previous year. After providing Rs 27.55 lakh (Rs 14.80 lakh) for provision for Central and State income-tax, the net profit comes to Rs 15.56 lakh (Rs 19.09 lakh). A sum of Rs 49,000 (Rs 41,500) has been written back from development rebate reserve no longer required. The taxable ordinary dividend of 12.5 per cent has been maintained absorbing Rs 8.75 lakh. Allocations include Rs 4.54 lakh (Rs. 7.88 lakh) for reserve, Rs 31,70 (Rs 42,700) for development allowance and Rs 47,400 (Rs 48,100) for investment allowance reserve.

Bhopal Sugar

Although the Bhopal Sugar Industries Ltd has received the sanction of the Govern-

DEPARTMENT OF ATOMIC ENERGY

Directorate of Purchase and Stores

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay-400 001, invites tenders as detailed below. The price of the tender document is indicated in the bracket in each case :

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2.	DPS : KAPP : PPED EEQ : 1 Due on 30.4.82. (Rs. 10)	Supply of Fuse Switch Units as per purchaser's specifications for Kakrapara Atomic Power Project at Kakrapara, Dist. Surat, Gujarat.
3.	DPS : BARC : ENG : 15396 Due on 4.5.82. (Rs. 25)	Supply of soft and bright drawn S.S. filler wire in straight cut lengths of 1000 mm, as per tender specifications. Qty. 500 kgs.
4.	DPS : KAPP : PPED : EEQ : 2 Due on 4.5.82. (Rs. 10)	Supply of porcelain insulators for 415V and 11KV overhead power lines as per specifications for Kakrapara Atomic Power Project at Kakrapara (Gujarat).
5.	DPS : R-5 : ENG : 689 Due on 12.5.82. (Rs. 25)	Fabrication of lead shot fill one No. outlet water collection tank as per tender Spcn. and drg.
6.	DPS : VEC : ECON : 1342 Due on 18.5.82. (Rs. 10)	Layout design, Master making & photography of Micro Computer Card and Fabrication as per specification—95 Nos.
7.	DPS : BARC : ECON : 23480 Due on 19.5.82. (Rs. 25)	Stackable Terminal Block of different gauges with mounting accessories as per Spcn—62225 Nos.
8.	DPS : NAPP : MIA : 65 Due on 19.5.82. (Rs. 25)	Mineral Insulated Thermocouples for various ranges from 0 to 1400°C maximum—217 Nos.
9.	DPS : BARC : ECON : 23492 Due on 21.5.82. (Rs. 25)	Rotary Selector Switches of different types as per Purchaser's Specifications—78 Nos.
10.	DPS : RAPS : C&M : FAB : 24 Due on 21.5.82. (Rs. 25)	Fabrication and inspection of Bleed Tempering Mixer as per Spcn. and Drg. Qty. 1 No.
11.	DPS : NAPP : PPED : EEQ 94 Due on 24.5.82. (Rs. 25)	Current Transformers for differential protection of PHT motors at Neutral end as per purchaser's specifications for Narora Atomic Power Project at Narora, U.P.
12.	DPS : TAPS : FAB : 41 Due on 24.5.82. (Rs. 25)	Fabrication and Supply of Cation Tank T-17 for the Regeneration Facility as per Tender—1 No.
13.	DPS : BARC : PPF : 5245 Due on 27.5.82. (Rs. 50)	Supply of Austenitic Seamless Stainless Steel Tube/Pipe in Different Size as per tender Spcn. Qty. 4.7.M.T.
14.	DPS : HWP : ELE : 1263 Due on 27.5.82. (Rs. 25)	1.9. KV/3.3 KV armoured PVC Insulated PVC sheathed aluminium cable for earth and unearthed systems as per tender specifications—Qty. 750 Mtrs.
15.	DPS : KAPP : PPED : CAP 7 Due on 28.5.82. (Rs. 25)	Portable Transformer oil filtering unit for filtering, degassing & dehydrating transformer insulating oil at the rate of 500 gallons per hr. as per spcn.—1 No.
16.	DPS : BARC : CAP 4286 Due on 31.5.82. (Rs. 10)	Radial Drilling Machine 1¼" Drilling capacity as spcn.—1 No.
17.	DPS : BARC : PDS : ELE : 28 Due on 2.6.82. (Rs. 25)	Manufacture, Shop Testing, packing, delivery at site and guarantee of 3½ core, 6 0/1100V. Alum. Conductor power cables as per tender spcn - Qty. 2500 Mtrs.
18.	DPS : NFC : CAP : 750 Due on 2.6.82. (Rs. 25)	Baling Press for preparation of bales of ball bearing steel turning and borings of following sizes : (a) 100 mm x 200 mm x 400 mm (8-10 kg each) (b) 75 mm x 100 mm x 200 mm (3-5 kg each) as per specifications—1 No.
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20.	DPS : MHD : ELE : 138 Due on 4.6.82. (Rs. 35)	Cross linked polyethylene insulated single core, wire with stranded copper conductor of 70 sq. mm conforming to IS-7098 and as per tender specification—Qty. 5 Kms.

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Tender documents and General conditions of contracts priced 50 Paisa (except for item 10 & 12.) can be had from the *Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building. Palton Road, Bombay-400 001* between 10 a.m. and 1 p.m. on any working day (except on Saturday). Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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ment for the purchase of two ships, the board has decided that the company should not enter into shipping business at present.

Disclosing this at the annual meeting of the company in Sehore recently, the Chairman, Mr Jehangir P. Patel, said that this was not the time to enter shipping business because the freight market is heavily down.

Mr Patel said that as sugar production this year is expected to reach a record level of 70 lakh tonnes, it will be necessary for the Government to maintain an economic price structure. According to him, free sugar prices should be maintained at a reasonable level in relation to the increase in the cost of production.

Ashok Paper Mills

Ashok Paper Mills Limited has closed for annual overhauling from March 24. But there is a fear that it might not reopen as the state of affairs is not very favourable due to management lapses and overhead costs. The company owes about Rs 1.5 crore to the State Electricity Board, Rs 2 crore to the State Government and Rs 40,000 to the railways. The amount due to Coal India is not known which also might be a substantial sum.

So far the only paper manufacturing unit in the north east the company ran into trouble from the very beginning with the State Government coming to its aid financially to tide over the crisis. But the State government resources being limited it is now seeking the Central assistance to pull it out from the present state avoiding closure.

The Government of Assam holds about 36.5 per cent equity shares in Ashok Paper and another 15 per cent shares are being held by the Government of Bihar besides a holding of 46.5 per cent by the different financial institutions and the balance of mere two per cent being in the hands of the private sector mostly by the Maharaja of Darbhanga the original promotor. The State Government allege that quite a huge amount is blocked with the private contractors who supply bamboo and other raw materials. But the main snag is the managerial lapses and proper budgeting of inventories which might ultimately result into closure of the unit having a captive market in the north east. It is also learnt that three private sector companies having interest in paper are eager to takeover Ashok Paper which has one of the most modern machinery. If this is allowed it would be a sad story with most of the 2,500 workers having chances of being thrown out. The Centre should come to its rescue in time to save the unit from closure.

Usha Martin Black

The gross profit of Usha Martin Black Ltd, has amounted to Rs 2.65 crore for the year 1981 against Rs 2.47 crore in the previous year. Providing Rs 84.20 lakh (Rs 91.93 lakh) for depreciation and Rs 78 lakh (Rs 54.40 lakh) for investment allowance reserve, the net profit comes to Rs 1.19 crore against Rs 84.52 lakh. A sum of Rs 4.17 lakh (Rs 6.04 lakh) has been transferred from development rebate reserve. The taxable ordinary dividend has been raised from 15 per cent to 16 per cent absorbing Rs 55.20 lakh (Rs 49.91 lakh). General reserve gets Rs 59.53 lakh (Rs 32.45 lakh). No provision for taxation has been made.

Asea Maintains

The Directors of Asea Ltd, propose to maintain the equity dividend of 15 per cent for 1981 on the enlarged capital resulting from the issue of rights sares in the ratio of two sharres for every five shares held.

The gross profit has risen to Rs 79.11 lakh from Rs 53.81 lakh. After providing Rs 39 lakh for taxation (Rs 19.25 lakh) and Rs 4.40 lakh (Rs 6 lakh) for investment allownce reserve adn making adgustments, the surplus is placed at Rs 39.26 lakh (Rs 28.86 lakh). The proposed divdend will absorb Rs 22.25 lakh (Rs 17.61 lakh). A sum of Rs 14 lakh has been transferred to general reserve no. 1 (Rs 8.80 lakh) and Rs 1.97 lakh to general reserve No. 2 (Rs 1.40 lakh). Sales have gone up from Rs 11.5 crore to Rs 1.44 crore. The order on hand are placed at Rs 30.2 crore against Rs 26.6 crore at the end of 1980.

Garware Wall Ropes

The sales of Garware-Wall Ropes Ltd, in the first five months of the current year (October, 1981 Februry 1982) were higher by 40 per cent as compared to the sales achieved in the same period of the previous year, according to Mr B.D. Garware, Chairman of the company.

Mr Garware told the shareholders at the annual meeting recently that the performance in the current year would be better than the previous year.

The company had planned further expansion programme and had approached the Government to double its capacity to little over 4000 tonnes. This additional capacity would involve import of plant and machinery.

The compny has already submitted an application both for increase in capacity as well as import of plant and machinery for this implementation, he added.

The Chairman said that the power situation has been another great constraint in the working of the company. Any interruption in the power supply affects the quality of the company's products.

He added that the export prospects for the company's products in the current year are bright. The company has entered into a fresh agreement for export of 1,000 tonnes of synthetic ropes to USSR by end of 1982.

Pfizer

The net sales of Pfizer Ltd for the year ended November 30, 1981 have amounted to Rs 48.22 crore against Rs 45.28 crore in the preceding year. The profit before tax is placed at Rs 5.82 crore against Rs 5.80 crore. After providing Rs 3.21 crore (Rs 3.39 crore) for taxation the net profit comes to Rs 2.61 crore against Rs 2.41 crore.

It is stated that several applications for a price increase based on 1980 costs are still pending with the Goverrment. The company's operations are adversely affected because of the continuous increase in the manufacturing costs. There was also a prolonged strike on the part of a section of the employees at the Thane plant from October 15, 1980 to February 3 1981.

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This Week

April 7

The pound sterling became 10 paise cheaper following the upvaluation of the rupee by 0.61 per cent by the Reserve Bank. The new middle rate has been fixed at Rs 16.50 per pound against the earlier Rs 16.60 per pound.

All the 10,000 people of a Mexico town feared killed in a volcanic eruption. The town is situated only five kilometres from the crater of the Chinchonal volcano, in the southern Mexico State of Chiapas.

April 8

A reduction of 0.50 per cent in the cash reserve ratio (CRR), higher refinance for food credit, larger export refinance and an increase of one per cent in the interest rate paid on cash reserves maintained by commercial banks are the highlights of the Reserve Bank's credit policy for the first quarter of 1982-83.

The pound sterling became costiler by 5 paise following the devaluation of the rupee by the Reserve Bank. RBI has fixed the middle rate of Rs 16.55 per pound against the earlier rate of Rs 16.50 per pound.

The Prime Minister, Mrs Indira Gandhi, said that to reopen the three-State river waters accord would only keep the issue hanging. Prime Minister was addressing a public meeting held in Punjab where she gave the start to the construction of the Sutlej-Yamuna link canal.

April 9

The Oil and Natural Gas Commission has emerged as the highest profit-making public industrial enterprise with its pre-tax profit estimated at Rs 650 crores in 1981-82, against Rs 46.37 crores in the previous year.

The official wholesale price index for all commodities, base 1970-71, for the week ended March 31 remained unchanged at the level of the previous week at 275.3 points.

April 10

The multi-purpose Indian satellite, Insat-IA. shot into orbit from Cape Canaveral in the United States.

Uttar Pradesh banned the closure of the sugar mills without Government's permission until and unless they crushed all the cane in their reserved areas.

The Lok Dal spilt in Haryana with an overwhelming majority of the party legislators publicly identifying themselves with rebel leader Devi Lal who had already been suspended from the organisation.

April 11

The Akali Dal (L) has decided to launch a "stop canal morcha" from April 24 to prevent the excavation of the Sutlej-Yamuna link (SYL) canal in Punjab territory.

UN Secretary-General Javier Perez de Cuellar proposed to cut short his 18-day European tour and return to New York because of the Falkland Island crisis.

April 12

Bangladesh's Chief Martial Law Administrator, Lt. Gen H.M. Ershad, takes overall executive and legislative powers of the Government under a new martial law order.

April 13

India signed a deal for the outright purchase of 40 Mirage 2000 futuristic fighter aircraft. A comprehensive document, called the "Intention to proceed" (ITP) between India and the manufacturers of Mirage 2000, Marcel Dassault, signed in Paris.

The pound sterling became dearer by 5 paise following the Reserve Bank of India's devaluation of the rupee by 0.3 per cent. RBI has fixed the new middle rate at Rs 16.60 per pound against the earlier Rs 16.55 per pound.

The Government has decided to introduce colour television in a phased manner in the country.

eastern
ECONOMIST

The Credit De-squeeze

IT WAS inevitable, though delayed. The Reserve Bank finally acknowledged that its credit squeeze had gone much too far, and backed away. It cut the cash reserve ratio (CRR) from 7.75 per cent to 7.25 per cent with effect from April 9; it cut the CRR on non-resident deposits from 7.75 to 3 per cent; it increased refinance for food credit from 30 per cent to 50 per cent in excess of the base of Rs 2,200 crores, with cent per cent refinance in case food credit exceeded Rs 2,800 crores. The net effect of these measures will be to release Rs 610 crores of credit, of which Rs 410 crores will be available as non-food credit.

This will not end the severe shortage of credit that industry is suffering from. But it will ease the rigour of the squeeze. The fact is that the extent of the credit squeeze has been quite unintentional. Last autumn the RBI decided to step up the CRR in view of the buoyancy of deposits and credit. It did not have the faintest idea that the expansion of deposits would come to a grinding halt in the January-March quarter, and actually show a decline in certain weeks. According to an article in *The Financial Express*, this unexpected development led to commercial banks defaulting on the statutory liquidity ratio (SLR) by Rs 183 crores and on the cash reserve ratio by no less than Rs 834 crores at the end of January. They were already overlent, and the fall in deposits caught them on the hop. The return flow of credit had slowed to a trickle.

Industry has for a long time been crying out in pain from the credit squeeze. The RBI has viewed these cries with suspicion. It knows that industry wants money as much for stockpiling in recessionary conditions as for productive purposes. It knows that the tight money policy has played a part in slowing inflation to 1.8 per cent in 1981-82. And it knows that sudden U-turns in policy will lead to jeering laughter. But it has finally seen the writing on the wall. It has acknowledged that credit has been squeezed more drastically than was ever intended. And it has taken remedial action. As far as industry is concerned, it is a case of too little, too late.

If one takes into account the extent of default of the banks in their CRR, the new relaxations amount to very little. The RBI Governor, Dr I.G Patel, hopes that deposits will expand by Rs 1,700 crores in the next three months. Of this 35 per cent will be creamed off by the SLR and another 7.25 per cent by the CRR. Of the balance, 40 per cent is supposed to go to priority sectors like agriculture, small-scale industries and exports, not to mention food credit. No more than Rs 500 crores will be available for organised trade and industry. At the end of it all, the extra credit will barely regularise the excess lending of the banks so far. There is going to be preci little extra credit for extra production if the RBI succeeds its resolve to recover all excess refinance to the banks. I industrial growth can be 10 per cent in these circ stances remains a question that the RBI has avoided answ ing. One way out would be continued excess lending banks. Another would be an unforeseen bonanza in depos But a more probable outcome is simply a deceleration of inc trial output, caused partly by the squeeze and partly by ot factors.

The limitations of monetary targets and monetary po have been exposed by the events of the last few years. E since inflation took off in 1979, the RBI has supposedly b operating a credit squeeze. In fact the squeeze did materialise for more than two years, as deposits kept rising fast that there was plenty of money splashing arou Budgetary deficits of large proportions played an import role in this, as also the breakdown of infrastructure an bad monsoon in 1979-80. To try and get a grip on a slipp situation, the RBI turned the screw again and again. J as it finally turned the screw yet again last autumn, the over situation underwent a sea change. Industrial producti boomed, agricultural production and procurement picked u inflation was checked, budgetary deficits were trimmed (par by black bonds, partly by higher administrated prices f public sector output). And so the RBI finally gripped t slippery customer—the economy—at just the point when needed free rein rather than gripping.

Dr I.G. Patel has noted that the expansion in non-fo credit in 1981-82 was lower than in 1980-81 despite the boo in production. But he defended himself on the ground th if petroleum credit is excluded, there has been a rise in no food credit. May be so. But at a time when industrial in prices have been rising by five to 15 per cent (sugar ca has been the sole exception) and output has been rising seven to ten per cent, the increase in credit has been woefu inadequate.

Economic discipline is an excellent thing, and the corpor sector needs it as much as the Government. But a time con when the economy needs relaxation rather than discipli In inflationary times, there was a watertight argument agai advancing money for holding stocks. But now that rec sionary conditions have hit some sectors—notably textile there is a case for nursing badly affected units through rou times. Dr Patel has revealed that the RBI is considering so specific reliefs in respect of textiles, which will doubtless welcome. The current textile crisis may well witness leath of some sick mills whose viability is doubtful, and banks hould not throw good money after bad. But there are other nills which are basically sound but need a breathing spell, vhich only credit can provide.

The truth is that the "indiscipline" of banks in breaching heir SLR and CRR limits has been very healthy for the conomy, and the RBI credit relaxations now recognise this. The RBI has been caught by surprise by monetary developments. It has long abandoned the old concept of the busy season and lean season for credit. But it certainly did not expect that deposits and credit would expand much faster in the first half of the financial year than in the traditionally busy second half. The fall in foreign exchange reserves could be one cause of the unexpected situation, but reserves have fallen for eighteen months now, and this phenomenon alone cannot explain the recent stagnancy in deposits.

Better, But Not Good Enough

FOODGRAINS PRODUCTION during 1981-82, as revealed by the annual report of the Union Ministry of Agriculture, is an eloquent reflection of the deceleration in its growth rate since 1978-79. Last year's output is estimated at 134 million tonnes—3.2 per cent more than in the previous year (129.87 million tonnes). But it marks an improvement of just 2.1 million tonnes over previous best 131.9 million tonnes three years earlier.

More significantly, last year's targets for rice and wheat outputs proved elusive, even though they were only modest in terms of the linear growth trends in the past decade. Rice production is estimated to have been around 54.5 million tonnes, as against the target of 58 million tonnes. Wheat output around 37.6 million tonnes fell short of the target by approximately four lakh tonnes. A downward revision in the wheat crop estimate cannot be ruled out because of aberration weather at the maturing stage in the all-important northern States. The overall foodgrains production in 1981-82, consequently, may turn out to be just around 133 million tonnes. Such a possibility has been hinted recently even by Prime Minister, Mrs Indira Gandhi. The production of rice and wheat in 1980-81 was around 53.231 million tonnes and 36.46 million tonnes. In 1978-79, it had been around 53.773 million tonnes and 33.508 million tonnes.

This raises the crucial issue of whether resort again should be taken to wheat imports this year. Imports to the extent of 2.265 million tonnes were contracted with the United States and Australia last year so that it should be possible to maintain a buffer stock of about 10 million tonnes of foodgrains on April 1. Part of these imports are yet to be effected: they may be brought in by the end of this month. A major factor that will have a vital bearing on the decision to import or not, of course, will be how wheat procurement behaves during the current rabi marketing season.

Even though the 1980-81 wheat crop was estimated to have been a record one around 36.46 million tonnes, procurement last year aggregated to no more than 6.59 million tonnes, nearly 2.4 million tonnes less than the target. The expectation that it would show marked improvement in the lean season—it was felt that the big producers had withheld sizeable surpluses from marketing during the normal season to June-end—obviously has not materialised. An improvement of a million tonnes in the output in 1981-82, which, as suggested above, in fact, may prove to be on the high side, cannot be expected to yield procurement much higher than during the last year, even though the requirements of the trade for replenishing its stock, which were substantial last year, will tend to mitigate this year.

Rice procurement, of course, may touch a now peak around seven million tonnes. But that apparently cannot boost the buffer stock much: rice exports were enlarged considerably last year and are expected to amount to at least six lakh tonnes by July. Curtailment of releases to the public distribution system to just around 13 million tonnes and resort to wheat imports have obviated a more serious erosion in the buffer stock. But surely the growth in population will warrant somewhat larger releases this year. The production of rice during the current financial year is targetted to be raised to 58 million tonnes and that of wheat to 39 million tonnes. The recent trends do not evoke much optimism about the attainment of these targets. The major factor that has been responsible for the last year's targets proving beyond reach is the lower-than-expected application of fertilisers, primarily following substantial increases in their prices. Much also depends on the ensuing monsoons: kharif production, by and large continues to be a gamble in rain. A close watch on wheat procurement, thus, will have to be kept and, if necessary, the decision on further imports ought to be taken expeditiously.

The most heartening development on the agricultural front during 1981-82, however, has been that significant improvement in the outputs of pulses, edible oils, cotton, jute and sugarcane. The production of pulses is estimated between 12.5 and 13 million tonnes, as against 11.165 million tonnes last year, and just 8.571 million tonnes in 1979-80. Although still short of the peak output of 13.039 million tonnes in 1975-76, it has had a salutary impact on the availability and prices of pulses. Oilseeds output is estimated to have been a record one between 11 and 12 million tonnes, as against 9.02 million tonnes in 1980-81 and 9.91 million tonnes (the hitherto record) in 1975-76. A breakthrough appears to have been achieved in these two fields. Further concerted endeavours for augmenting the production of pulses as well as oilseeds should yield wholesome results not only in containing their prices but also in bringing down the import bill.

Jute (including mesta) and cotton crops too have been good around eight million bales each, approximating the 1978-79 yields. The output of sugarcane is expected to be between 170 and 180 million tonnes, as against 150.522 million tonnes in 1980-81 and 176.966 million tonnes in 1977-78. This, of course, may turn out to be an under-estimate. According to trade reckoning, the output of sugar this year may touch eight million tonnes, as against about seven million tonnes original anticipation and 7.5 million tonnes hopeful assessment indicated last month. Part of the increase in sugar output can be attributed to the mitigated competition from gur and khandsari manufacture. Yet the basic reason is the bumper cane crop.

Dry Thoughts

HAVING BEEN away on a tour of Malaysia and Singapore, I find I've missed some delicious tit-bits of news back home. I refer, of course, to the Maneka Gandhi affair. This shows that Mrs Indira Gandhi is not merely the Prime Minister but the Prime Mother-in-Law of India. The saas-bahu quarrel hit even the Malaysian headlines. Most Malaysians were titillated by the squabble, but some Indians there objected to the media delving into a family quarrel and sensationalising it as political news. I can only say that it is not the media but Mrs Gandhi herself who has converted the family circle into the political arena. This is not just a case of dynastic succession in India. It encompasses even foreign policy. It looks as though Mrs Gandhi's vision of a happy sub-continent consists of Mrs Nusrat Bhutto taking over in Pakistan, Mrs Hasina Wajed in Bangladesh, and Mrs Srimavo Bandaranaike in Sri Lanka. It will be one mammoth kitty party with the menfolk doing the household chores.

Not that Mrs Gandhi or the other political women on the sub-continent are women's libbers. None of them came into the political limelight in their right —all of them were the daughters or wives of male Prime Ministers. It was the family connection which made them important, not their sex. And all occupied their positions by default, for want of a suitable male heir. Mrs Gandhi owes her position above all to the fact that her father had no sons to inherit his mantle. Mrs Hasina Wajed did indeed have brothers, well groomed for political succession, but they were murdered along with her father. Mrs Bandaranaike took over when her husband was shot, as her son Anura was still a toddler, and unable to provide the political competition that he does today. Mrs Nusrat Bhutto became a political power because her husband was hanged and her two sons were students abroad, greenhorns with no political grooming (though they have developed into terrorist adolescents). It is indeed curious that the sub-continent has suffered such a chronic shortage of suitable males.

But, although the womenfolk have inherited political positions, it must be said to their credit that they have consolidated their inheritance and expanded it vastly. Mrs Gandhi was made Prime Minister by a coterie of Congress bosses who thought that they could use her family name for their own purposes. In practice, Mrs Gandhi made mincemeat of the political bosses. As the magazine *Himmat* put it, India is the only political circus where the ringmaster has regularly eaten the lions.

* * *

POWER CORRUPTS and absolute power corrupts absolutely. So said an English Lord who knew nothing about the Singapore of Lee Kuan Yew. President Lee commands absolute power, but instead of becoming absolutely corrupt he has made the Government and administration absolutely honest. Autocratic Singapore has become a model of moral purity, while democratic India has become an amoral cesspool. I was told while in Singapore of a Minister who had deposited a cheque in his account, and asked the bank to credit the sum immediately instead of waiting the usual 48 hours for the cheque to be cleared. He was sacked for abusing his authority. Could such a thing ever happen in India?

Malaysia is no autocracy. It is a democracy, though a limited one. The press is not free. Communist parties are banned, and so are public political meetings. But we in India cannot afford to look down at Malaysia, which puts us to shame where public standards are concerned. The Prime Minister and all members of the Cabinet clock in at wor just like every factory worker. In Ind neither politicians nor factory worke bother about punctuality. The Prim Minister, Dr Mahathir, has banned th practice of raising political funds throug paid dinners. He admits that this is no corruption. But he makes the point tha big corruption has small beginnings, an if the small beginnings are tackled the it can never grow into big corruption There is a lesson in this which Indian politicians have learned long ago. They encourage small beginnings precisely because it leads to massive corruption later on. Those of us who thought tha democracy would usher in political morality have proved grievously wrong. The checks and balances of our democracy have yielded only cheques and (bank) balances in favour of our politicians.

* * *

NOBODY LOVES the hippies. But I discovered at Bangkok Airport that Thailand has a unique system for identifying and deporting hippies. A large notice at the airport defines a hippy as follows:

1. A person who wears just a singlet or waistcoat without any underwear.
2. A person who wears shorts which are not respectable.
3. A person who wears any type of slippers or wooden sandals, except when these are part of national costume.
4. A person who wears silk pants that do no look respectable.
5. A person who has long hair that appears untidy and dirty.
6. A person dressed in an impolite and dirty-looking manner.

Every hippy must visit Bangkok Airport just for a laugh if nothing else.

—Swaminathan S. Aiyar

Ten Years of Nationalised General Insurance

V. C. Vaidya

THE GENERAL insurance industry has now completed a decade of working under State control and ownership. If you look at the record of the industry during this period you will find that it has to its credit many achievements.

At the time of nationalisation, a policy decision was taken that the general insurance industry would not operate as a single monopoly undertaking, but, as four companies freely competing with one another. Accordingly, the 107 units transacting general insurance business in India—both Indian and foreign—were amalgamated into four subsidiary companies on a four-tier organisational structure —head office, regional/area office, divisional office and branch office. These companies – the National Insurance Company Limited with head office at Calcutta, the New India Assurance Company Limited with head office at Bombay, the Oriental Fire and General Insurance Company Limited with head office at Delhi and the United India Insurance Company Limited with head office at Madras—operate under a holding company, namely, the General Insurance Corporation of India.

Growth of Branches

The merger of 107 units, each with its own system of working, into a new organisational set-up was accomplished without serious disturbance to organisational growth. The four companies have been well-established and are steadily extending their representation by opening branches throughout India. The number of branch offices established have grown by 70 per cent in the past five years. Branch offices have been established in many new areas. At present, the number of offices in India exceed 1,250. Each of the companies write business in India of over Rs 100 crores a year. The concept of four companies operating side by side has been very beneficial to the general insurance industry as it has provided incentive for performance through competition and helped to evolve standards by which performance can be judged in the matter of growth and service.

The business progress of the general insurance industry in the post-nationalisation period has been quite remarkable. The gross direct premium written in India has risen from Rs 161 crores in 1972 to Rs 580 crores (estimated) in 1981. This means an average annual increase of around 15 per cent. It is significant that this increase was achieved in spite of two beneficial measures taken by the industry during this period. Firstly, the fire tariff rating structure was rationalised resulting in reduction of fire premiums by nearly 20 per cent. Secondly, the agency commission structure was revised, whereby, major clients received benefit of reduction in gross premium by approximately 3.5 per cent.

Good Progress

In the traditional field, the industry has made good progress. In addition to evolving an all-India rating structure for fire business, market agreements have also been formulated in certain classes of business like engineering, bankers' indemnity, and personal accident which has resulted in better risk evaluation for the purpose of premium rate fixation, The screening of vessels and loading of premium rates on shipment by vessels flying flags of convenience has helped in reducing unhealthy practices in the movement of tramp cargo. The engineering services provided by the industry have been strengthened and the industry employees over 140 engineers to provide technical guidance to its customers.

The growth has been particularly satisfactory in non-traditional lines of business. Some of the notable insurance covers in this sector have been cattle insurance, agricultural pump set insurance and the Janata Personal Accident Insurance. Cattle insurance, in particular has shown a spectacular rise, the premium rising ten-fold from Rs. 1.30 crores to Rs 13 crores during the period 1976 to 1980. Pumpset insurance premium during the same period has risen from Rs 10 lakhs to Rs 50 lakhs and sales of Janata personal accident policies have reached the Rs 1.50 crore mark. Crop insurance is being undertaken by the geneal insurance industry on a pilot basis and the lessons learned in conducting the pilot projects will be of immense value to the Government for formulating a comprehensive crop insuance scheme throughout the country.

Satisfactory Position

The claims position as a whole for the industry is satisfactory. The disposal of claims has improved in spite of increase in inflow of claims and the industry now settles over 600,000 claims annually as against 4½ lakh claims at the beginning of the decade. As a result the ratio of number of outstanding claims to annual inflow of claims has fallen from 80 per cent to 66 per cent. The claims ratio has risen from around 49 per cent in 1972 to about 60 per cent currently. This I feel is a healthy position because a very low claims ratio means premium rates are being over-charged. The higher ratio means the industry offers a better return to the client for the premium paid. As a result of the increase in the claims ratio, underwriting profits have not risen significantly, but overall profitability has been maintained due to rise in income from interest and dividends on the growing investment of funds.

The Government at the time of nationalisation had paid out Rs 38.05 crores by way of compensation for the companies and undertakings it had acquired. The Government had also made a contribution of Rs 50 lakhs towards share capital of GIC Thus, the paid-up capital of the GIC stood at Rs 38.55 crores. including Rs 19.05 crores of preference capital. As against the total outlay of Rs 38.55 crores by the Government, the contribution of the general insurance industry to the national exchequer during the period 1974 to 1980 has been nearly Rs 445 crores—Rs 407 crores by way of direct taxes and nearly Rs 38 crores by way of dividends on the share capital. Besides, the total preference capital of Rs 19.05 crores originally subscribed by the Government has now been fully redeemed. This record of the general insurance industry, therefore, stands out in the public sector.

The investible funds of the general insurance industry have grown substantially from Rs 360 crores in 1973 to Rs 1100 crores. The annual accretion of funds generated by the industry, which was around Rs 60 crores at the beginning of the decade, now exceeds Rs 100 crores. The general insurance industry is considered as a major financial institution in the Indian capital market and has been playing an effective role as an all-India financial institution. The industry has played an important role in providing support to the capital market and the development of primary and secondary debenture market.

Support to the Market

As far as preferential capital is concerned the general insurance industry is perhaps the main support for preference share issues. The GIC and its four subsidiaries have been declared as an all-India financial institution in 1978 under the Companies' Act and the General Insurance Corporation has joined the All-India Consortium for Financial Institutions in 1976. The GIC takes the opportunity of monitoring jointly with other institutions the industrial climate and financial position of the corporate sector to some extent. Along with other financial institutions, the GIC nominates representatives on the boards of some assisted concerns. I could cite a few cases where active intervention of the institutions has not only saved the units from total 'sickness', but, also brought back the companies to normal and healthy position.

The industry is a major source for providing funds to State Governments and HUDCO in their programme for providing housing to the economically weaker sections in rural and urban areas. More than Rs 150 crores has gone in the EWS housing sector during the last three years. The cost of a house as defined under the guidelines should not exceed Rs 8000 and on rough calculations therefore more than one and a half lakh houses have been financed by the general insurance industry during the past three years. These loans are mostly on softer terms and for long periods. The general insurance industry is also making available loans on easy terms to State Governments for purchasing fire fighting equipment.

The general insurance industry, which employed nearly 22,000 staff at the time of nationalisation, now employees over 41,000 as full-time employees, apart from the large number of agents who work on part-time basis. The industry has been steadily recruiting manpower to service the growing business and has emerged as a major source of employment on the Indian labour scene. The employees working in the 107 units prior to the merger under the new organisational set worked under widely differing service terms and conditions. The salary scales have now been rationalised and comprehensive uniform service terms and conditions formulated for all categories of staff.

Training facilities have been expanded during the past decade, as it is recognised that in a service industry manpower constitutes the plant and equipment on whose efficiency depends the performance. Training centres have been established by the companies in principal cities to impart basic training to new recruits. Refresher training programmes have been also held for existing sta With growing specialisation in t industry, specific courses have aslo bee devised which are job oriented. Th services of professional training establis ments have been taken to develo management skills at higher levels. few officers have also been depute overseas to familiarise themselves wi the latest techniques in the insuranc world.

The progress made in the trainin sector has received international recognition and India has been chosen a a regional training centre for impar ing insurance and management trainin by the UNCTAD. This country ha emerged as a leader in the area of insurance training among developing coun ries. Our training establishments hav received many students from oversea and our lecturing faculty is in grea demand at training establishments in th Third World. The establishment of th National Insurance Academy to condu research in management developme programmes for the general insuranc industry will give a boost to trainin activities.

The foreign operations of the India general insurance industry can be broke up into three categories :

(1) Direct business operations throug branches/agencies:

(2) Promotion of subsidary/associat joint companies with local par cipation; and

(3) Reinsurance exchange operation.

Direct business operations carried

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CHIEF EXECUTIVE

28 countries has yielded a premium of s 34 crores in 1980. Foreign business as not expanded at the same rate as ndian business as the emphasis here more on developing a balanced ortfolio. The potential for direct usiness growth is also limited in view f growing sentiment to encourage ocal companies. The general insurance ndustry, therefore, has been paying ncreasing attention to promotion of ocal companies with local participation.

Foreign Associates

The industry has subsidiary/associate ompanies in four countries. In addiion, in collaboration with the LIC and ocal interests it has promoted joint nsurance ventures in two other counries. The reinsurance operations have been aimed at maximising the retention capacity of the Indian general insurance industry and to obtain better trading reciprocity. The industry has made quick progress in this regard and at present retains 86.9 per cent of the gross direct premium written in the country. In keeping with the needs of the developing countries of Asia for increased cooperation in the field of reinsurance, the United Nations ESCAP have set up the Asian Reinsurance Corporation. India has been actively and closely associated in setting up of this Corporation and has provided expert assistance.

The general insurance industry has been very conscious of its national obligations as a public sector undertaking. Reservations and concessions have been provided in the recruitment policies for SC, ST, physically handicapped and ex-servicemen. One of the most notable steps taken by the industry has been its pioneering role promoting the campaign for prevention of loss and reduction of wastage. The industry has sponsored the Loss Prevention Association of India for promoting loss prevention activities. The Association had done valuable work in providing advisory and consultative service to industrial organisations. The industry has also set up cargo loss minimisation cells at many major Indian ports to help in reducing loss in cargo handling. In keeping with emphasis placed currently on vocational training in education, the industry has offered facilities and other assistance for introducing insurance as a subject for study at secondary school and college education.

The present set-up of the industry is evident from the data given in table below.

General Insurance Industry in India*

1. Organisational Set-up

Regional/Area Offices	Divisional Offices	Branch Offices	Total
22	368	882	1272

2. Indian Business Premium

Fire Department	Rs 141.43 crores
Marine Cargo Department	Rs 100.14 crores
Marine Hull Department	Rs 32.47 crores
Motor & Miscellaneous Departments	Rs 195.35 crores
	Rs 469.39 crores

3. Claims Ratio

Fire Department	30.5%
Marine Cargo Department	68.4%
Marine Hull Department	68.9%
Motor & Miscellaneous Departments	72.2%
Total	59.3%

4. Staff Strength

Class I (Officers)	5,705
Class II (Development Staff)	9,385
Class III (Clerical Staff)	21,625
Class IV (Subordidate Staff)	4,088
Total	40,803

5. Investment

(a) Central Government Securities & Special Deposits with Government.	Rs 242.19 crores
(b) State Government Securities & Other Approved Securities	Rs 104.30 crores
(c) Housing Loans and Fire Fighting	Rs 107.83 crores
(d) Shares/Debentures of Companies	Rs 280.87 crores
(e) Term Loans	Rs 46.64 crores
(f) Immoveable Properties	Rs 11.87 crores
(g) Participation Certificates, Bills Rediscounting, Fixed Deposits	Rs 248.82 crores
Total	Rs 1042.52 crores

Economic Analysis—I

The Age of Ageing

THE STAGE is set for a unique population explosion. As fewer babies are born and people live longer we are beginning to witness the worldwide emergence of a new generation—the over-60s.

This is the age of aging. As more people are living into their 60s than ever before, so the entire structure of world population is changing. "This is a unique demographic fact", says William Kerrigan, Secretary-General of the United Nations World Assembly on Aging, "that must be fixed in the minds of government decision-makers". In 1975 there were only six countries with a grey generation numbering over 10 million, by 2025 there will be 19.

World population is aging faster than ever. While total population is expected to treble between 1950 and 2025, the United Nations predicts a five-fold increase in the over-60s. This means one person in seven will be over 60 in 2025, compared with just one in every 12 in 1950.

And the effects will be felt by everyone—young and old alike. A billion over-60s in 2025 must be fed. But there will be relatively fewer people of working age around to provide for them. Only by harnessing the skills of the elderly alongside the strength of the young can we prevent the aging becoming an ever-increasing burden to us all.

Two well-established trends are causing this dramatic shift in population structure—fewer babies and longer lives. While world birth rates will be cut by half between 1950 and 2025, average life expectancy is predicted to rise from 47 to 70 years. The result is that the population pyramid is being turned upside down. For centuries the very young have outnumbered the old : in 1950 there were nearly two under fives for every person over 60. But by 2025 grandparents will outnumber babies by two to one.

Long life is a major achievement of the twentieth century. Improvements in health, hygiene and nutrition mean more and more people have the chance to reach their natural 75-year life span.

In Britain today, 75 per cent of all deaths occur after age 65, but in developing countries families must still mourn their children: 40 per cent of deaths are amongst under-fives—victims of diseases of poverty, like malnutrition and malaria. This is where the fight to improve health care is taking greatest effect—and the most dramatic aging of populations will be in poor countries that are beginning to win their battles against disease. Successful family planning programmes will multiply the effects—fewer babies will be born, existing generations will live longer and the whole population will grow older.

But because today's teenagers will take another fifty years to grow old the effects of these changes will be delayed. In fact the proportion of over-60s in the world's population increases very little before the year 2000—babies and children are surviving, but have yet to grow old. But by 2025, the proportion of over-60s will have jumped by 40 per cent, and countries like Bangladesh, Brazil, Mexico and Nigeria will see numbers of over-60s increase by up to 15 times.

Developing countries everywhere will feel the sharpest effects of aging. In 1975 the Third World held three-quarters of the world's people but only half of the over-60s. By 2025 its share of the over-60s will have grown to three-quarters.

According to reports prepared by the UN for July's World Assembly on Aging this rapid aging of populations is the predictable outcome of better living standards and an emphasis on improved health care. But in many countries people are given long life with one hand, only to see the means to enjoy it taken away with the other.

Modern industry is not interested in old people. It demands the education and skills of the young. And, as the young are tempted into the world's growing cities, old people are left without help in the countryside and without a job in the city. Without education or wage employment old people lose their traditional status—and become, says the UN, "passive and vulnerable victims of development".

The world has begun to respond to the needs of the elderly. Social security systems have been set up to try to cushion the old against their enforced redundancy. At least 120 countries now offer a pension to retired workers. But most developing countries are only able to provide for a minority in wage employment. The 80 per cent who get no regular wage and are not entitled to a pension just cannot afford to retire.

In developing countries aging populations will mean more old people left to fend for themselves. In industrialised countries, with compulsory retirement and where the majority of over-60s are fit and healthy, this growing proportion of the old means radical changes in the structure of the workforce.

People today are growing old faster than children are being born to support them in their old age. In 1950 there were only 19 over-60s for every 100 adults aged between 15 and 59. By 2025 there will be more than twice that number. In Austria there are already only two workers for every person receiving a pension,

Most social security systems tax the existing workforce to finance the pensions of retired people. But workers of the future may be unwilling to provide for an increasing number of old people—and Governments will face demands for reduced expenditure on pensions. Some are already considering lowering the retirement age as a means of solving youth unemployment—and so adding to the numbers of unproductive old. But the World Assembly on Aging warns that this may be nothing more than a "short-term, partial solution of one social problem through the creation of another" and urges a search for alternatives that emphasise the productive involvement of the aged, not just their protection and care.

Calls for reduced pension expenditure may soon be matched by another clamour. As the aged cease to be a tiny minority, so they will grow into a political force. By 2025 one in three voters in industrialised countries will be over 60, With old people as the major consumers of health care it has already been predicted that the 'senior vote' will shape the future of health policy in the US.

In future it will be harder to ignore the interests of the aging. But this does not necessarily mean narrow emphasis on the needs of the over-60s. Maggie Kuhn, founder of the US Gray Panthers, argues that "aging is the one thing we all share". Today's young are tomorrow's old: it is in everyone's interests to work for a secure future. And with a population explosion of the over-60s firmly predicted for the first quarter of the next century, now is the time to act.

Economic Analysis—II

Making Room for China's Elders

PROVIDING PENSIONS for 44 million over sixties is unthinkable for a country as poor as China. Deborah Davis-Friedmann looks at the Chinese alternatives.

China has the largest and fastest-growing elderly population in the developing world. Today there are 44 million elderly Chinese. By the turn of the century, when 11 per cent of the population will be over 60, there will be nearly twice that number.

The numbers game always takes on frightening proportions when applied to China. But Chinese planners are used to dealing with huge figures and no longer blench at a long row of noughts. Nevertheless, 80 million elders by the year 2000 is 80 million mouths to feed. And, despite her enormous achievements, China is still a very poor country.

After thirty years of domestic peace, one-third of the urban population lives in apartments with less than four square metres per person. And in rural areas, one or two room houses shelter whole families as well as their tools, grain stocks and farm animals. Per capita grain production hovers around just 300 kilos per year, meat and fish continue to be luxury items, and the most basic of commodities must still be rationed.

In spite of this, Government leaders face the prospect of an elderly population explosion with apparent equanimity. This is partly because providing for the old has always been—and remains today—a family affair. But it is also because Chinese planners have more pressing things to worry about—such as a youthful population so vast that the increase in the elderly pales in comparison.

Between 1966 and 1975 there were more than a quarter of a *billion* births. For the next two decades these children will place unprecedented burdens on an already-strained economy to provide basic education, adequate living space and steady employment. In the past five years over 100 million have entered the job pool and the annual push for new employment can only intensify. Small wonder then, that Chinese planners seem totally preoccupied with 'youth unemployment'.

And one way to create jobs for the young is to retire the old. As it exists today, China's limited retirement programme is extremely flexible. This flexibility stems from the criteria used for granting pensions to those who are eligible for them.

To receive a full pension Chinese workers must pass three tests. First they must meet certain age and work requirements: 20 years of service, and a minimum age of 50 for women and 60 for men. Second, their workmates and foreman must approve their application; and third, the appropriate personnel office must also sanction the retirement request. This means that the number of retirees can be varied at will according to the level of youth unemployment.

In the past, withdrawal from the workforce of a healthy adult was regarded as unpatriotic. During the Great Leap Forward (1958-1959) and again during the Cultural Revolution (1966-1976) routine retirement disappeared completely. Today, retirement is an honour and a privilege: the reward of a healthy economy. And pensions are generous in recognition of the privations the old suffered to produce the relative prosperity of recent years. No eligible employee retires with less than 50 per cent of the average industrial wage. And those with histories of outstanding achievement receive up to 100 per cent.

Because pensions are so generous, the Chinese Government can only afford to provide them for a relatively small number of people. So ever since the national pension programme began in 1951 the 80 per cent living in rural areas have been excluded.

As a result virtually all rural elders work as long as they are physically able and are paid in grain on the same basis as everyone else – according to the amount of work they do. Even so, people well into their sixties are still able to earn a subsistence income. And many supplement this by raising pigs, ducks and chicken to sell for cash.

This dual system—retirement on a generous pension to make room for incoming younger workers in the industrial sector, and continuous employment for as long as health allows in rural areas—ensures a relatively secure future for old people in China.

On its own, however, the system would just maintain them as the least advantaged age group in the country. But when it is combined with the continuing existence of large, stable families, prospects for China's elders begin to look almost rosy.

Contrary to some popular notions, China's policies since 1949 have supported—not attacked—strong loyalties among family members. And the methods have been disarmingly simple: restricted migration and laws that require the young to care for the old.

Since 1955, Chinese citizens have been forbidden to move home without Government approval. This rule was originally instigated to prevent massive, uncontrolled migration into the towns. And it has been successful. Unlike most developing countries, the percentage of those living in the countryside has remained stable for over 30 years in China.

One important, if inadvertent, consequence of this stability has been increasing immobility of the younger generation. And because most people spend their entire lives in one community—often in the very same house where they began their married lives—urban and rural elderly remain in close physical contact with the younger generation, often pooling their incomes into a single household budget.

The National Marriage Law and local welfare restrictions strengthen these bonds even more directly. The Marriage Law requires children and grand-children to take full responsibility for elderly family members. Only the old without responsible children are eligible for welfare.

As China enters the last decade of this century she faces two population explosions—one of young adults of working age and another of the elderly. The strain created by these huge increases will severely test Chinese resources. Yet, in 1982, it appears that the Chinese will cope successfully with these challenges.

Most old people are firmly integrated into multi-generation households where the economic gains and losses are shared out among members—providing each person with a buffer against sudden downturns in income and allowing the Government temporarily to favour one generation—the young—without immediately jeopardising the security of the old.

As long as current policies bind young and old into multi-generation households, families will plan their lives to maximise the welfare of all members. And the Government will depend on the family to make the final allocation of scarce resources between the young, the middle-aged and the elders.

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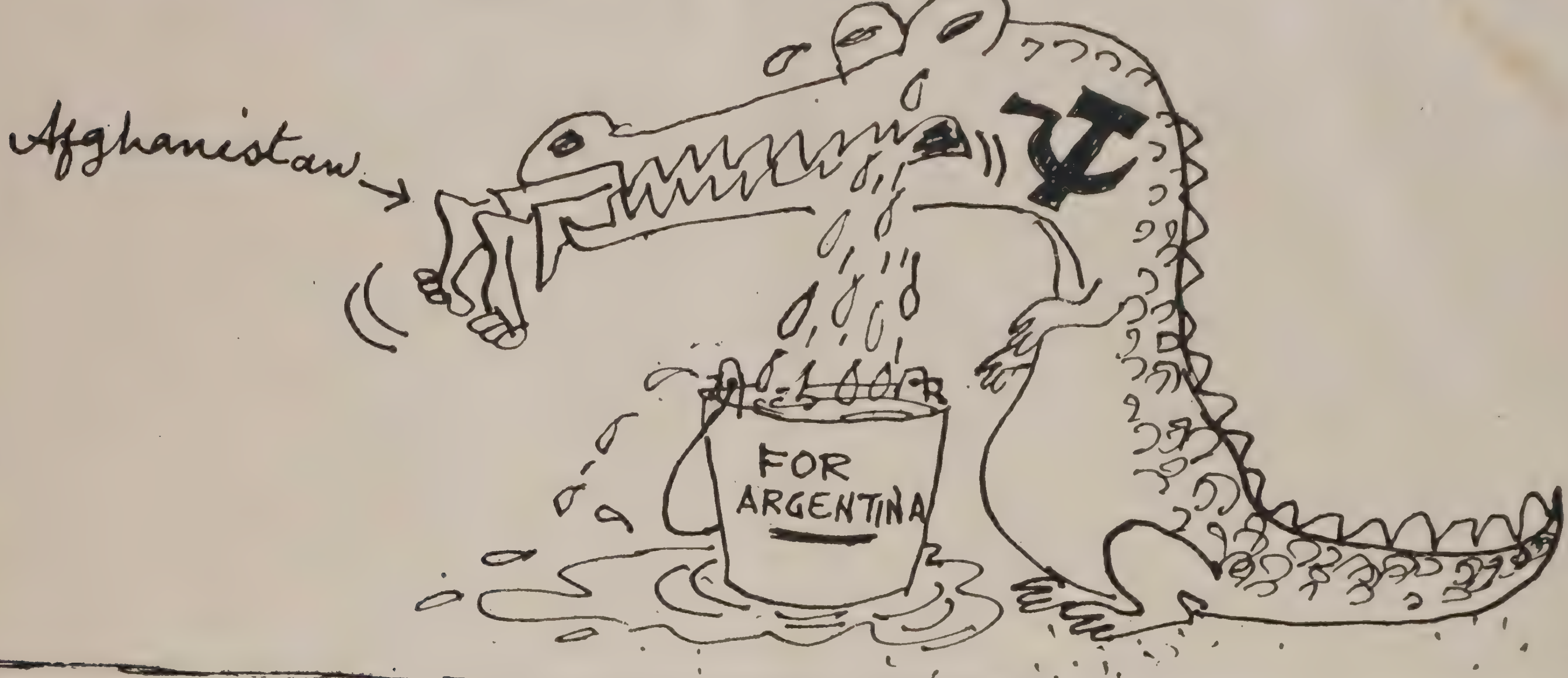
THIS 'N THAT by Kevy

THE SOVIET UNION WARNED THE BRITISH GOVERNMENT AGAINST TRYING TO SOLVE THE FALKLAND ISSUE BY FORCE.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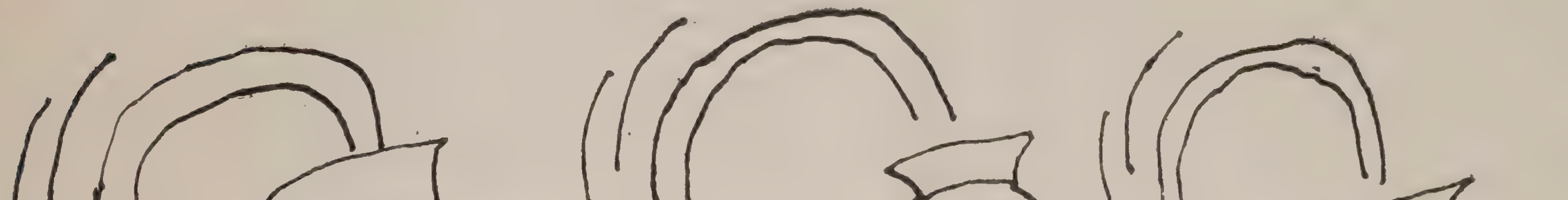
I'M WILLING TO BECOME P.M. Desai
I'M WILLING TO BECOME P.M. Charan
I'M WILLING TO BECOME PRESIDENT Jatti

ADD LIFE TO YEARS — WHO

ONGC's Plans

THE DECISION of the Oil and Natural Gas Commission (ONGC) to scale down its crude oil production target during the current financial year by 1.3 million tonnes to 17.91 million tonnes need not pose any petroleum products supply problems. The world spot prices of crude oil as well as refined products have shown persistent recessionary trends in the recent past and the current prices range around $28 as against the bench-mark price of $34 a barrel. Although the import programme already tied up with the main suppliers—Iran, Iraq, the Soviet Union, Saudi Arabia and others—is not to be curtailed in any way, even though some revision in prices may be sought, the shortfall in indigenous production can be made up easily at quite favourable prices.

The total production of domestic crude this year even with the scaled-down target of the ONGC will be between 20.5 and 21 million tonnes, the balance accruing from Oil India's north-east concessions. Imports of crude may have to be around 15 million tonnes. Some deficit products too will have to be imported to an aggregate of about three million tonnes.

Input Constraints

The ONGC has reduced its production target, primarily, owing to the input constraints it is experiencing. The output from offshore Bombay High is now anticipated to go up to 12.11 million tonnes, as against 13.95 million tonnes envisaged earlier under the accelerated programme of production in this area. The remainder output will accrue from ONGC's concessions onshore in Upper Assam and Gujarat. Last year, the ONGC is stated to have produced 13.2 million tonnes of crude oil—43 per cent increase over the previous year. Even with the reduced target, its production this year will go up by 5.71 million tonnes. Greater emphasis is proposed to be put during the current year on the rejuvenation and repairing of sick wells, both offshore and onshore, whose number is understood to have grown significantly.

'Common Basin' Concept

The ONGC, however, has chalked out an ambitious exploration programme for this year. It proposes to go in for the concept of "common basin" in a big way. Under this concept, exploration and exploitation of hydrocarbons is to be unified in the whole of a sedimentary basin irrespective of whether or not the basin straddles across the coastline. This strategy is expected to enable optimum utilisation of the available technological resources and a better deployment of expertise. The Krishna-Godavari project, both onshore and offshore, is already being operated in consonance with the "common basin" concept. The concept is to be extended to projects in West Bengal and Saurashtra,

In view of the huge investments involved, another modification that has been made in the ONGC's exploration programme is the chalking out of a 10-year programme, instead of a 5-year one at present. The financial constraints for providing a new thrust to exploration have eased considerably following the last year's increase in domestic crude oil prices. The ONGC will be soon strengthening its rigs fleet. Nine additional rigs are to be obtained this year. It is proposed to go in for heli-rigs also for deployment on a priority basis in the inaccessable but promising oil-bearing structures in the eastern region. Global tenders have been called for acquiring two heli-rigs. Another two such rigs are to be chartered on hire.

Besides accelerating its off-shore exploration programme, the ONGC is stated to be set to explore the Ganges valley onshore—an area, geologists believe, can catapult India into a major producer of oil. One of the areas earmarked for this purpose is Gandak on the UP-Bihar boundry. In Bihar, the West Germans had carried out seismic exploration in Champaran, Muzaffarpur and Sitamarhi in the early 1960s. The prospects of finding oil in the Ganges Valley are considered to be alluring, but the difficulties to be encountered are said to be stupendous. The prospective structures are buried under 7,000 metres of sediment. This will require very deep drilling for which the ONGC may have to muster material and technical expertise from abroad. Assistance is being sought from Romania for this purpose.

Import-Export Policy: Reaction in W. Bengal

INDUSTRIAL AND trade associations in Calcutta generally welcomed the main features of the import and export policy for 1982-83. The Indian Chamber of Commerce appreciated the scheme to attract investment from non-resident Indians and the relaxation in the policy for export-oriented units. The chamber suggested that the private sector should be allowed to import canalised items to promote healthy competition and ensure timely and adequate supplies. The Bengal Chamber of Commerce and Industry highlighted the emphasis laid in the policy on the facilities for technological improvement and modernisation of industries. The Chairman of the Engineering Export Promotion Council, Mr G.D. Shah, also complimented the Government of India on announcing a pragmatic policy with the accent on promoting productivity and export, elimination of delays in issuing licenses, and taking prompt decisions relating to export and import.

But West Bengal Finance Minister, Dr Ashok Mitra, severely criticised the policy. He said that it was based mainly on the recommendations of the International Monetary Fund. He observed that the import bill would increase by 15 per cent to 20 per cent and that, as a result, the indigenous industries would be hurt and more unemployment would be created. He did not agree that the policy would really help to give a boost to exports. According to his estimate, India's trade deficit which had amounted to Rs 4,200 crores in the last nine months would shortly shoot up to Rs 6000 crores. Dr Mitra expressed the view that the western countries were trying to put India into a "debt-trap". The Finance Minister's fears about the dangers of liberalisation of imports may not be wholly unfounded. But it seems surprising that he saw no merit whatever in the new import-export policy.

R. J. Venkateswaran writes from Calcutta

To what extent the new policy will have a favourable impact on economic development will, of course, depend on how effectively it is implemented. The policy has enhanced the authority of the regional offices of the Chief Controller of Import and Exports to issue licences for the import of capital goods and in other respects. In the previous years also, some decentralisation of power had taken place. But experience shows that, in practice, delays and difficulties continued to occur at the regional level either because of red tapism or due to the lack of clarity and consistency in the policy. It is well known that, after the announcement of the import-export policy every year, changes are made from time to time some of which cause more confusion and uncertainty among businessmen both in India and abroad. Mr N.A. Palkhivala said in Calcutta recently that in one financial year there were 88 changes in India's export policy and 54 in the import policy. But it will be worthwhile to examine how many of these changes were against the interests of India's industry and trade. Not all changes in policy are undesirable. Even so, the Government should ensure that modifications in policy are kept to the minimum and that they are made after the most careful consideration of all relevant factors.

Significant Findings

In this context, the findings of the survey of India's exports, issued by the Indian Chamber of Commerce, Calcutta in March this year, assume significance. It revealed that in 1980-81 India had imported various items valued at about Rs 2500 crores which could be manufactured here. India's share in world exports declined from 0.72 per cent in 1970 to 0.36 per cent in the first three months of 1980. Exports from India constituted less than 6 per cent of the national income compared to 46 per cent in Taiwan, 32 per cent in South Korea, 26 per cent in Indonesia, and 13 per cent in the world as a whole.

The Chamber's study also showed that India's share in West Germany's total imports had amounted to 0.3 per cent in each year from 1973 to 1978. In the import trade of France, our share was 0.4 per cent in 1977 and in 1978. Even in the UK and the USA, which have been our major traditional markets, Indian goods have not been able to make much headway. Our share in Britain's total imports fell from one per cent in 1975 to 0.8 per cent in 1978 and in the US market, it has stood still at 0.6 per cent for the past many years.

The Government of India therefore should see to it that all its economic policies, and not merely those directly relating to export and imports, are oriented to increase production and productivity so that we can get a respectable share in world exports after fully meeting our domestic requirements.

Capital Goods Exports, Imports Up

EXPORTS OF capital goods from India have shown a substantial increase in recent years. From Rs 155.23 crores in 1975-76, they rose to Rs 278.93 crores in 1979-80. The Engineering Export Promotion Council has envisaged that these exports can be stepped up from Rs 347.00 crores in 1980-81 to Rs 1000 crores in 1984-85. The goods in this category include industrial plant and machinery, electrical power machinery, switchgear, transmission line towers and poles, steel structures (fabricated), wires and cables, wagons and coaches,, coastal vessels and ships, complete vehicles and machine tools.

The eastern region has been playing an increasingly important role in exports of capital goods. These were valued at Rs 69.70 crores in 1980-81 compared to Rs 33.50 crores in the preceding year. It is worth noting that exports of industrial plant and machinery from this region went up from Rs 7.10 crores in 1979-80 to Rs 24.98 crores in 1980-81, of wagons and coaches from Rs 11.55 crores to Rs 15.97 crores, and of wires and cables from Rs 3.25 crores to Rs 9.92 crores. The increase in the exports of complete vehicles from Rs 0.50 crores in 1979-80 to Rs 3.72 crores in the next year is significant. It should be possible in the coming years for the engineering industries in the eastern rrgion to contribute even more substantially for the exports of a wide range of capital goods.

It is, however, important to note that India's imports of capital goods have also shown a sharp increase from Rs 404 crores in 1970-71 to Rs 1651.5 crores in 1980-81. Imports of manufactures of metals rose from Rs 9.3 crores to Rs 78.8 crores, of non-electrical machinery from Rs 257.8 crores to Rs 978.2 crores, of electrical machinery from Rs 70.4 crores to Rs 201.2 crores, and of transport equipment from Rs 66.5 crores to Rs 336.5 crores. In 1979-80, the imports of capital goods increased by 9 per cent over the preceding year And in 1980-81, they rose by 15.5 per cent.

Spurt in Approvals

According to the *Economic Survey for 1981-82*, the approvals given by the Capital Goods (Main) Committee for the import of plant and machinery increased from Rs 266 crores in 1979-80 to Rs 421.35 crores in 1980-81, that is by 58.4 per cent. In 1981-82, the approvals jumped by 57.8 per cent in the first quarter but declined by 18.9 per cent in the second quarter. The *Survey* has revealed that the approvals to the textile industry during the first two quarters were 3½ times those in the similar period last year, while there was a decline in the approvals for electronics, metals (excluding iron and steel) and rubber goods. For cement, ceramics and refractories, the increase in the approvals was 45 per cent, for engineering 42 per cent, for iron ore and iron and steel manufactures 38 per cent, for electricals 23 per cent and for man-made fibres 15 per cent.

The imports of capital goods will continue to maintain an upward trend in view of the pick-up in industrial production, the implementation of the programmes of modernisation of major industries, and the larger investments proposed under the annual Plan. The Government, therfore, should take greater care to ensure that imports are made at competitive prices and from reliable sources and that the equipments are such as will enable our industries to reduce their costs of production, improve their quality, strengthen their capacity to compete in foreign markets, and also give a greater stimulus to the schemes for import substitution. These objectives ought to be given more careful consideration in the context of New Delhi's assurance to the International Monetary Fund about the liberalisation of our import policy.

The Finance Minister, Mr Pranab Mukherjee, said in his budget speech that the "liberalised regime of imports" would be continued "in order that investment and production, particularly in essential and priority sectors, are not hampered or slowed down." At the same time, he said that "there is no strong reason why those who have access to imports in a difficult situation should grudge to pay a little more". Though the Finance Minister has sought to collect only "a little more" by may of customs duties, it is likely that, in the case of some capital goods, these levies may prove to be excessive and sharply push up the costs of projects. For instance, the revenue from the import duty on machinery, mechanical appliances and electrical equipment for 1981-82 has been estimated at Rs 10,40,00 lakhs compared to the original estimate of Rs 8,98,25 lakhs and the actual of Rs 7,89,90 lakhs in 1980-81. The budget estimate for 1982-83 is Rs 11,70,00 lakhs but the actual yield will be much more. The Finance Minister should see to it that, in his anxiety to gather more revenue, the imports of capital goods are not made too costly.

Ad-hocism in Tea

AT THE annual meeting of the Indian Tea Association held in Calcutta recently, a great deal of optimism was expressed about the industry's prospects both by the Chairman of the Association, Mr V.P. Maithel, and the Chairman of the Tea Board, Mr B.K. Goswami. Mr Maithel frankly confessed his disappointment with the outcome of the national conference on tea held in New Delhi in last August and the latest Union budget. Nevertheless, he felt that the Government would still adopt a helpful attitude. He said that "excise duty reduction need not necessarily form part of budgetary proposals" and that "this can be effected by a notification within the tariff ceiling prescribed in the appropriate schedule in the Central Excises and Salt Act".

But an increase in the excise duty can also take place before or after the budget. In fact, this happened when the Union Finance Ministry, by a notification dated November 5, 1981, announced some marginal relief to the gardens i the Borosla Circle in the Tezpur sub division. In doing so, the Ministr transferred the tea estates in th Mangaldai sub-division from Excise Zon II to Zone IV, and thereby raised th duty for these estates from 66 paise t Rs 1.21, an increase of 83.3 per cent Mr Maithel described this decision a "very odd". He said that it was "wron for the Government to have considere the case of one area in isolation at time when a comprehensive review of th matter should have been made in term of the recommendations of the nationa meet". At the same time, Mr Maithe expressed his belief that the Governmen would soon do something to provide substantial relief to the tea industry How far is Mr Maithel's confidence justified ?

Mr Goswami's speech at the annual meeting of the Association revealed that the Government of India still did not have clear ideas as to how to deal effectively with the problems of this major industry. The Chairman of the Tea Board quoted T.S. Elliot who had said in one of his poems that there was a hiatus or shadow between idea and reality and between concept and creation. Mr Goswami remarked that "this shadow seems to have fallen on the recommendations of the national meet on tea". But he felt sure that the Government would soon take appropriate action on them. He referred to the formation of a sub-group by the Government to examine the suggessions of the Delhi conference.

Government Lethargy

But, considering the lethargic manner in which the Government of India is dealing with this matter, it seems doubtful whether there is any prospect of a realistic approach being adopted in the immediate future to improve the industry's financial position and strengthen its capacity to compete in foreign markets. In fact, Mr Goswami himself admitted that "there is too much of ad-hocism in matters pertaining to the tea industry". He added that at the last meeting of the Tea Board, the members had expressed their concern about ad-hocism and they had suggested hat they should have something like a erspective plan, say, for the next 20 ears.

But, in the present context, it will be futile exercise for the Government and he industry to draw up the so-called erspective plan when practically nothing s being done to tackle the more urgent roblems with realism. For example, the ea gardens in Darjeeling continue to suffer from chronic maladies which were learly identified long ago. But no systematic action has been taken to revive these gardens and make them flourish. Most of the bushes in this district are said to be over 80 years old. The yield is estimated at about six quintals a hectare whereas it should have been 15 quintals to ensure viability. In the other parts of the country also, the industry continues to face serious difficulties due to the high cost of production. Because of the scarcity of funds, the gardens have been compelled to curtail the consumption of manures and pesticides. Mr Maithel pointed out that "this situation is more apparent in South India where reduction in the application of these inputs was perhaps more widely practised in the last two years'. He said that if this trend continued, "the crop-loss arising out of non-application of fertilisers in the required doses may be irretrievable, compounding the problem of cost-escalation".

Highest Ever

India's tea exports in 1981 at 245 million kg are said to be the highest ever achieved by the industry. In the previous year the exports amounted to 220 million kg. But detailed statistics are not yet available to show in which directions exports have increased significantly. If exports to Russia went up from 40 million kg in 1980 to 60 million kg in the next year, it was mainly because of the larger purchases by Moscow rather than the result of the efforts of the Tea Board. Mr Goswami revealed that there had been a few instances where, in response to international tenders, "ridiculously low prices have been quoted". All this shows that the Government of India has not been maintaining proper vigilance over the working of the tea industry. The Tandon Committee on export strategy had suggested that the comparative tea price structure of Kenya, India's major competitor, should be examined to evaluate our industry's competitive strength abroad and its capacity to generate the required surplus for replanting and new growth. What action has the Commerce Ministry taken on this and other important recommendations made by this Committee relating to the tea industry ?

World Meet on Man-made Fibres

T.T. Vijayaraghavan writes from Bombay

A RECENT noteworthy event for the textile industry was the holding of an International Conference on Man-made Fibres for Developing Countries in Bombay from March 29 to April 1. The conference was sponsored by the United Nations Industrial Development Organisation (UNIDO), the Government of India and the Silk & Art Silk Mills' Research Association (SASMIRA). The conference discussed modern developments in synthetic fibre technology, the role of synthetic fibres in meeting the basic needs of the Third World and utilisation of synthetic fibre technology. It also discussed ways for encouraging cooperation between the developed and developing countries.

Eminent scientists and technologists from the USA, the UK, Holland, Federal Republic of Germany and Austria presented papers dealing with the various developments on synthetic fibre technology during the conference. Special mention should be made of the address delivered by Prof Dr Herman K. Mark, Polytechnic Institute of Brooklyn, New York on 'Structure and Property of Fibres'. A special theme paper on 'UN aid for Developing Countries and International Role of SASMIRA in Developing Countries' jointly prepared by Dr H. May, Head, Chemical Industries Branch, UNIDO and Mr J.G. Parikh, Director SASMIRA was also presented.

SASMIRA is a research association which is committed to the growth and promotion of science and technology in man-made fibres and textiles. It is bringing out a monthly '*Man-made Textile in India*' which is now entering the silver jubilee year. A souvenir has been brought out to mark the occasion. With the creation of facilities in man-made fibre technology by the setting up of a demonstration plant for synthetic fibres and the fibre research laboratory, SASMIRA offers a wide range of services in the development of technology, training, techno-economic studies and technical consultancy.

Mr L.K. Jha, Chairman, Economic Administration Reforms Commission, who delivered the inaugural address got away from the beaten track to make some general observations on the role of man-made fibres in the developing countries. Modern technology, he said, was usually identified with labour-saving, capital intensive equipment which aggravated the unemployment problem. It was also believed that this catered for the needs of the rich and not of the masses. Mr Jha's point was that it was only through modern technology that the basic needs of the masses, particularly in respect of food and clothing can be met. In food, it was seen how the green revolution through new seeds developed by scientists, fertilisers produced in modern factories and irrigation provided by new techniques and through new methods of cultivation, has virtually reduced the dependence on imports. Similarly in clothing the contribution of technology has to be maximised. It was generally argued that the new man-made fibres are really meant for affluent countries. But this was not so. History showed that what was really primitive often met the needs of the affluent. The innovations had been much more beneficial to the masses. The basic reason why we must make increasing use of man-made fibres to meet the requirements of clothing was that natural fibres had to rely on the availability of land for increasing their supplies. By switching from natural to synthetic fibres, more land could be made available for food production without sacrificing the availability of clothing. The compulsions in favour of increasing use of man-made fibres were too strong to be ignored and it was better to adjust the development strategy to the realities of the emerging situation.

"It would of course not be possible or desirable", Mr Jha said, "for each country to manufacture its own requirements of fibres. Most of the man-made fibres are the products of capital-intensive industries, and the economies of scale are so pronounced that it would be a mistake, in the interests of self-sufficiency, to go in for small high-cost units. A better answer would be for a number of developing countries jointly to own a plant which can have all the economies of large-scale production. The capital cost can be shared. And since the real pay-off, in terms of cloth availability and employment, is in the spinning, weaving and finishing operations, where exactly the plant is located, would make no significant difference to the benefits which each country derives from it, so long as its output is equitably apportioned between them and reasonableness of prices is assured".

Technological Advance

Mr J.G. Parikh, Director, SASMIRA in his address pointed out that man-made fibres were basically the product of science and technology and the progress in the production of man-made fibres was directly related to the technological advances pioneered by scientists and technologists. Constant rationalisation, improvement and automation of production processes were the key factors for advancement of process technology. Man-made fibres may be described as tailor-made fibres because they can be adopted to meet the requirements of various textile applications during their production.

The industry is now gaining importance in our country because of the discovery of oil in different parts in India. There is tremendous scope to increase the availability of man-made fibres, specially synthetic fibres. The demonstration plant gifted to SASMIRA by UNDP and the Government of the Federal Republic of Germany will be used as an educational tool for students at SASMIRA. But the use of the plant is not limited to educational purposes only. It will also be used for research and development. The demonstration plant was inaugurated by Mr Pranab Mukherjee, Union Minister for Finance on April 4.

The conference recommended that SASMIRA should consider extending its present facilities to provide technical and educational services to other developing countries and elaborate the present facilities into an international institute for textile technology so that developing countries become more self-reliant in meeting their basic needs.

It also recommended that UNIDO should actively consider extending further collaboration with SASMIRA in training courses at various levels utilising the facilities established under the present term UNIDO/SASMIRA project.

Suggestions made also included organisation of inplant group training programme for the benefit of developing countries, establishment of a network of cooperation (technical cooperation among developing countries) in man-made fibre technology including exchange of technical information, research findings, expert advice and visits and consolidation and further development of SASMIRA's capabilities in the operation of the pilot plant for polymers.

Equality of Opportunity

DELIVERING THE fourth G. L. Mehta Memorial Lecture at the Indian Institute of Technology, Bombay, Mr Andre Beteille, the noted sociologist, spoke on equality of opportunity, 'a theme of great topicality and interest. Through oversimplification, 'equality of opportunity' has tended to become a slogan obscuring its complex nuances. People, who often mention it, almost seem to take it for granted that with the success attained here in terms of the Constitution, the last word has been said on the subject,

But is this so ? It is true that th
Constitution has sought to crase al
traditional privileges and disabilitie
and to establish full equality of status
Untouchability has been abolished an
legal equality has been established bet
ween castes and between the sexes. I
must also be mentioned that in the las
30 years the courts have upheld th
equality provisions of the Constitutio
and have, if anything, amplified an
extended them. But as Mr Beteill
pointed out, there has been no appre
ciable advance of equality in the distri
bution of wealth and income in th
corresponding period to match the ad
vance of legal equality.

Workable Compromise

Mr Beteille argued how 'equality o
opportunity' may be presented as a
workable compromise between socia
ideals and material realities. Acceptanc
of it makes an undeniable advance ove
a state in which individuals belonging to
particular castes, creeds or races, or to
one particular sex are *in principle* excluded from positions of respect and responsibility. In India, where the principle of
exclusion had been carried to its oute
limit, the general acceptance of equality
of opportunity involves a departure of
some significance from the traditiona
order of things. At the same time,
'equality of opportunity' does not try to
eliminate social distinctions as such; it
tries only to enable individuals to achieve
distinction according to their merits.

The Preamble to the Constitutio
speaks of the resolve to secure "equality
of status and of opportunity". Now
equality of status and of opportunity'
Mr Beteille argued, may be legally instituted under conditions of little or n
material change in a society. In tha
case a few individals with exceptiona
ability or unusual good luck might rise
to positions of distinctions by overcoming the adversity of social circumstances
But for the vast majority of individual
no substantial change of social positio
will be likely to occur as a result of the
change in the legal order.. The structur
of unequal life chances established unde
the old legal order will be carried ove
into the new one despite the abolitio

f privileges and disabilities till then aranteed by the law.

The principle of equal opportunity, Ir Beteille said, favoured recruitent by competition over recruitment y birth in the interest of efficiency of erformance which came to be more and ore strictly, not to say narrowly, assessd. The new system appealed instantly to hose with ambition and enterprise. pportunities began to open and to xpand for educated Indians in the proessions and the service where examinaon results counted for far more than did aste, at least for those who were successul; those who failed could believe, not ltogether without reason, that their ocial background had gone against hem.

Evidence of Disjunction

However with the simultaneous inrease in the pressure for higher educaion and the number of educated unmployed, the disjunction between the xpectations created by the new system nd its capacity to satisfy them has uickly come to the surface. This isjunction, Mr Beteille said, forces on ur attention the distinction between quality of opportunity and equality of esult. Equality of opportunity can mean omething only in a system based on ompetition. But competition, even when fully free and open cannot ensure quality of result.

The point however is, Mr Beteille said, we need much patience and care for analysing the patterns in the inequality, created, under varying initial conditions, by competition on the basis of equal opportunity. It may be argued that inequality of result will necessarily follow from equality of opportunity because of the unequal distribution of natural endowment among persons. This argument questions the proposition that "all men are created equal"; or treats it as a convenient fiction; or maintains that the proposition might apply to civic or political right but not to merit or ability or talent.

It is also clear that in societies which have inherited from the past severe inequalities in the distribution of life chances, equality of opportunity can advance very little without some independent advance being made in equality of *condition* by imposing social limits on both the rewards and the penalties of competition. In fact untempered competition between individuals has consequences not only for the members of society considered as individuals but also for the institutional order of society. That is why we have provision like reservation of seats. But, Mr Beteille reminded, we must not think that a comprehensive system of compensatory opportunities will be without any social costs. Where poor performance is due to neither unfavourable social circumstances nor inadequate natural endowment but to sheer lack of effort, it would clearly be both unjust and inefficient to offer compensation or redress in the name of fair equality of opportunity.

Mr Beteille pointed out that the principal disability imposed upon women in traditional societies was their confinement to the domestic domain and their exclusion from the domain of public life. These were carried much further in India than in the West, and whereas, exclusion from public life was common to women of all strata, their confinement to the home was more marked in the upper than in the lower strata of society.

Restrictions Removed

Legal restrictions on the education and employment of women have however, been removed. With the removal of these restrictions, ideas about the unequal mental abilities of women have rapidly collapsed in marked contrast with the persistence of such ideas about the mental abilities of the different races. If women are today less visible and less successful at the higher levels of the occupational system, Mr Beteille contended, this can no longer be attributed to either legal or natural disability. It has to be attributed largely to the lesser freedom they have within and in relation to the family.

Few, can question the major observation made by Mr Beteille: "Creating equality of opportunity for individuals," he said is by no means the same thing as equalising the distribution of a limited number of positions among the castes and communities into which a society is divided. In India it is being increasingly argued that education and employment, or the benefits thereof, should be more equitably distributed between the various castes and communities through direct intervention by the State. That may be a good thing in itself, but it will not be the same thing as equality of opportunity in the accepted meaning of the phrase. Such intervention will strengthen, the kinds of collective identity which the makers of modern India had thought should be dissolved in the interest of creating equality between individuals"

Village Industries are Big Business

THE PRODUCTION of cottage match industry shot up from less than a crore of rupees in 1976-77 to about Rs 9 crores in 1977-78; then to Rs 16.24 crores in 1978-79 and to Rs 29.91 crores in 1979-80.

The above provides an index of the impact of policy directions even over the short run on growth and development. In the Indian economic scene, there is often severe contractions and struggle for co-existence by the different sectors each with its own specific relevance.

One such contrast, equally glaring is between the khadi and village industries, on the one side, and industries in the organised sector, on the other. The inevitability of dispersed development has been stressed right from the beginning of the planning era. The virtues of employment, modest scales of operations with appropriate technology, low capital cost, short gestation, utilisation of locally available raw materials and marketability within a limited radius of manufacture and potential for high employment at low cost are factors in favour of village and small industries.

The Khadi and Village Industries Commission (KVIC) was set up as a statutory body in 1957 and thus it is its

Silver Jubilee now. The role of KVIC ranges from extending financial assistance to implementing agencies like the State Khadi and Village Industries Boards (there are 26 of these now), institutions registered under the Societies Registration Act (there are 945 such institutions) and Industrial Co-operative Societies (29,072), in the form of grants and loans, procurement and distribution of raw materials and disposal of finished goods. The KVIC is also engaged in development activities designed to improve the tools, equipment and machinery to producers.

S. Viswanathan writes from Madras

The real big boost to khadi and village industries has been given since the mid-seventies, results of which are discernible in the production performance in the subsequent years. In 1975-76, for instance, the total production of khadi and village industries amounted to Rs 192 crores. The provisional estimate of production during the year 1981-82 is in the region of Rs 630 crores. Of this village industries account for Rs 500 crores and khadi for around Rs 125 crores. It is estimated that nearly 3.4 million persons are employed in khadi and village industries.

Tamilnadu accounts for a significant share of the total production of khadi and village industries. In 1980-81 for, instance, the total production of khadi in the State amounted to Rs 17 crores out of an all-India total of Rs 107 crores; of village industries to nearly Rs 77 crores out of an all-India total of Rs 451 crores. For 1982-83, the target for production of khadi is fixed at Rs 22 crores and for village industries at Rs 97 crores. Match production in the cottage sector will account for a production of Rs 26 crores, closely followed by palmgur (Rs 15.5 crores). A scheme which is receiving a lot of interest in recent years is the gobar gas. The Tamilnadu Agricultural University at Coimbatore has developed a modified version of the Chinese model of fixed dom. It is expected that this development will give a big impetus to the establishment of gobar gas plants.

Khadi production is planned to be doubled during the Sixth Plan—from around 82 million sq mtrs in 1979-80 to 165 million sq mtrs in 1984-85, valued at around Rs 200 crores. Production of village industries is planned to be trebled to Rs 1,000 crores. These industries are estimated to provide employment for about 5 million persons. Total requirements of funds are estimated around Rs 1,175 crores which are expected to be made through budgetary source (Rs 686 crores) and institutional source (Rs 520 crores). The objectives set out for the Plan includes provision of support to an additional one million out of the existing nearly five million uncovered artisans engaged in the khadi and village industries sector with a view to improving skills and earnings.

The growth plan is no doubt impressive. But with the strides taken by the khadi and village industries, it is necessary to look at certain areas of weakness.

The first is the commitment of political leadership to devote greater attention to the development of these in view of the specific advantages in terms of employment, dispersed development, low cost... It is worthwhile to give a specific bias with the resources back-up as was witnessed under the Janata regime.

Parallel Development

There is a plethora of agencies engaged in parallel development. The IIT Madras, for instance, has its own experiment on rural development which holds a lot of promise. There was also the interesting experiment of the Council of Scientific and Industrial Research in taking science and technology for rural development conducted in Karimnagar district, in Andhra Pradesh, and Chandrapur, in Maharashtra. Unfortunately, the KVIC has not made serious efforts to replicate these in its programmes of rural development. It is the weakest link. After all the rural industries need not continue to be primitive, oblivious to the vast improvement that can be brought about to productivity through the selective recourse to technology. It will be well worth to take the expertise available on similar experiments done by the IIT, the CSIR and others. In fact, the KVIC should select specific programmes for technology upgrading and refer these to the technological institutions of the areas concerned. This should help improve the relevance of such institutions of the Indian milieu and also in the upgradation of the skills of the region concerned.

Quality Improvement

There is need to attempt at improvements in the quality of products handled by the KVIC. This can be done by taking recourse to Agmark and ISI certification for the large number of consumer products like dals, edible oils, soaps, safety matches... Village industries do not take recourse to this on grounds of the cost involved. The KVIC can provide testing facilities and also offer incentives to small industries for opting for ISI certification. It can also persuade ISI to offer these at very nominal rates. The start could be made in the matter of certification of safety matches the production of which is concentrated in the Ramanathapuram district of Tamilnadu.

Marketing is another weak spot of khadi and village industries. The spectacular growth in the production of safety matches in Tamilnadu offers the most glaring instance. There is presently accumulation of stocks causing considerable distress. The KVIC can streamline marketing of khadi and village industries products.

Khadi made out of fine cotton is not long lasting and is thus costly. The KVIC can ensure supply of ISI certified yarn, as has been successfully done in Trmilnadu to the handloom sector to ensure a higher quality of khadi cloth. It should also concentrate on increasing the proportion of blended fabrics which will be long lasting.

The KVIC should quickly adapt to changing times. After all, making available financial and other inputs at low rates of interest (at no interest for khadi and just around four per cent for village industries) is certainly attractive. But their effect can go much longer by taking recourse to technology and modern management practices.

Window on the World

Interest Rate Outlook

Sudhir Sen

New York

LAST YEAR saw a "sea change" in the world's capital markets because of the appearance of "high and apparently durable real interest rates", recently wrote the *Financial Times* of London (15 March, 1982). The long run effects of the change "will be still more pervasive", it emphasised and then added: "It is one of those once-in-a-generation turning points which chartists like to discuss as the long cycle." This, certainly, is no exaggeration. The age of oppressively high interest rates has arrived. And unless something dramatic happens, it seems destined to last indefinitely.

Ironically, it all began in the land of John Maynard Keynes who had the audacity to dream of euthanasia of interest in the capitalist world, once it had attained a high level of development. While he enriched himself with arbitrage transactions in exchange markets—he is supposed to have made the equivlaent of a couple of million dollars through these and other operations—he avidly pursued his cultural interests ranging from literature and painting to opera and ballet dancing. Eminently successful as he was as an economist and businessman, his values transcended both. It was therefore easy for him to attribute similar propensities to others.

Hunger for Capital

Be that as it may, today we know how grievously he misjuded human nature, the insatiable hunger for capital in a capitalist society, how wealth generates the craving for more wealth, how greed feeds on itself, and how fear propels an arms race devouring an endless stream of capital, all driving up interest rates to record heights. Keynes' dream of vanishing interest was buried with him. Instead, the world has been plunged in an era of ususry.

In the late-Fifties and Sixties, Britain was gripped by spasms of high interest rates; usually, the interest cycles tended to coincide with election cycles, thanks to the monetary manipulation indulged in by the Government of the day. But given the parameters set by the Bretton Woods system, such credit-induced stop-go policies could not go very far. The gold link of the major currencies set limits to exchange rate movements, which in turn restrained excessive movements of interest rates. But once the Bretton Woods system was cast to the four winds, all bets were off, and interest rates could freely move to double-digit levels, and then double again to 20 per cent and beyond, something which not only Keynes, but no sober-minded economist believed could ever happen in normal times in a modern industrial society.

Unthinkable Happens

Yet, the unthinkable did happen, and it happened with a vengeance after the installation of a Conservative Government headed by Prime Minister Margaret Thatcher who, for some mysterious reasons, discovered a supreme virtue in the most extreme brand of monetarism. The result has been three years of extraordinarily high interest even in real terms (that is, nominal rates less inflation). The havoc it has wrought in the British economy is now common knowledge. This dismal phase of mismanagement resulting from a misconceived theory is bound to earn the severest strictures from the future economic historian.

The example of Britain, one should have thought, was something to eschew, not to espouse. And so it was widely believed that President Reagan would be more pragmatic and less dogmatic. Yet, belying the prognostication of even otherwise astute people, his administration plumped for rabid monetarism of the Friedmanite brand. The result has been skyhigh interest rates, even in real terms, in the USA, and this has set off a crisis on a world scale because of the preeminent position the dollar occupies as an international currency. "The tight monetary policy", says Prof William Nordhaus of Yale University, "has hurt our friends more than any sanctions have hurt our foes."

Ardent Monetarist

By now it is clear beyond any shadow of doubt that President Reagan himself, for whatever reason, has acted as an ardent monetarist, although he has acted from behind the scenes through his trusted frontmen. While at heart blessing the regime of exorbitant interest rates, he ha sought to deflect the blame for them t others—to his predecessor Presiden Carter for his economic management and, when this charge grew stale, to th Federal Reserve Board Chairman, Pau Volcker. His relation with Mr Volcke has all along remained coldly cordial punctuated by smiles and frowns, subdued praises and subtle digs, and when expedient, also by half-veiled attacks. Hi Treasury Secretary, Donald T. Regan the ever-faithful, supple and voluble surrogate always ready to rise above principle, carried this artful—and hurtful—duplicity much further, oscillating between effusive compliments for the Fed' overall performance and volleys of attacks for being "too loose", or "to tight", or "too erratic". And his blunt spoken Under Secretary, Mr Beryl Sprin kel, a redoubtable monetarist, at time virtually dictated to the Fed how t manage the different categories of 'M displaying a self-righteous arrogance u paralleled in the 'Fed's long history.

The conclusion is clear. The indepe dence of the Fed, though underscored the administration when it needed scapegoat, has been very much a myt The Reagan regime has definitely favou ed, if not engineered, a monetary squee which has produced suffocatingly hi interest rates while turning a blind eye

Social Forestry : ADB's Assistance

The Asian Development Bank has approved a $10 *million laan for a community Forestry Project in Sri Lanka which is designed to increase the supply of fuelwood for low-income rural dwellers.*

The loan, from the Bank's Special Funds resources, is for 40 *years with a grace period of* 10 *years, and carries a service charge of one per cent per annum. Bank finance will cover the entire foreign exchange cost and part of the local currency cost* ($4.9 *million*). *The project's total cost is estimated at* $13.67 *million.*

The objective of the project is to augment fuelwood supplies as well as increase the country's supply of construction timber and edible fruits. In addition, the project should bring about community awareness of the fuelwood shortage problem and act as a catalyst to promote community forestry on a national scale.

their devastating impact both at home and abroad.

It may be recalled that, last summer at the Ottawa summit, Mr Reagan turned down, with disarming friendliness and unyielding obduracy, the anxious expostulations of President Francois Mitterrand and Chancellor Helmut Schmidt to bring down the intolerably high interest rates which were badly hurting the economies of West Europe. All Mr Reagan did was to give some vague assurance that the rates would be lower by year-end. Nor did he show much concern for the great distress they were causing at home —for auto, steel, housing, construction, savings and loan, and countless small industries.

And even when symptoms piled up that the US economy was sinking into a deep recession instead of staging the lively boom the "Reaganauts" had confidently predicted, the administration remained unpertubed except that the nation was treated to a fresh bout of Fed-baiting. True, the rates did come down for a few weeks with the prime rate shedding about five percentage points from the dizzy level of 21.5 per cent it had reached last summer. But the slide was too slow and too small for a fast-slipping economy.

The Bombshell

Then come a new bombshell—the Reagan budget with huge deficits projected for the next three years: $91.5 billion for 1983, $82.9 billion for 1984, and $71.9 billion for 1985, totalling $246 billion! This, too, was an underestimate. The Budget Director David Stockman himself now talks of a $100 billion-plus deficit for 1983. Much will of course depend on the trends in the economy. The deeper and longer the recession, the larger will be the deficits because of the loss of revenues and the rise in expenditures for unemployment benefits and similar items. The Congressional Budget office projects a deficit of $140 billion for 1983 and a total of around $450 billion for the three years ending in 1985.

As soon as the Government's deficit projections were out, stock prices tumbled and the bond market hurriedly gave up the modest ground it had gained last fall. Baffled by these unexpected developments some Reagan aides set out to educate the public. What they undertook was a kind of mission impossible. They bravely argued that deficits did not matter and need not be inflationary; that West Germany and Japan had much larger deficits in relation to their respective GNP and yet they had much lower inflation than the USA; that deficits could cause inflation only when they were met with credit expansion, or monetised, something thet the Fed and the White House were both determined to avoid. But the arguments cut no ice with the public and the markets. They considered them more ingenious than disingenuous and stuck to their commonsense, rejecting the sophistication that sought to explain away the deficits.

What has in the meantime created a major crisis for the administration is the overwhelming opposition of Congress to the Reagan budget. Not only Democratic, but even Republican Congressmen have made it clear that the mind-numbing deficits it now contains are totally unacceptable to them. Mr Reagan first tried to smooth the ruffled feathers of the Republican lawmakers, but with no success. He then denounced the Congressional criticisms and counter-proposals as "propaganda campaign" dictated by their concern to save their own "hides" at the next election. While throwing out some equivocal hints that he would not be averse to compromises, he has categorically declared himself *against* any reduction in the huge increases provided in the defence budget, *against* any dilution or postponement of the three-year tax-cut already enacted, *against* any new taxes or tax increases to raise more revenue, and, in effect, also *against* any immediate lowering of the Social Security benefits. All this, when put together, means that he is *against* any changes in his budget except perhaps very marginal ones.

Meanwhile, Mr Reagan's approval rating in the nation has suffered considerable slippage—broadly from last year's 70 per cent to about 47 per cent. Perhaps the unkindest cut comes from the business community. A recent poll of some 400 investment bankers, brokers, market economists and business executives showed that only 41 per cent strongly approve of his performance, down from 67 per cent a year earlier. The Conference Board, which is the nation's most prestigious body of corporate executives, has expressed serious misgivings about Mr Reagan's budget, and has urged him to take several steps to shrink the deficits.

Besides, his own Economic Advisory Board, though somewhat divided on the subject (inevitably, since it includes several key members of the administration), significantly enough, leans in the same direction. And some of the best-known conservative economists serving on the Board —Arthur Burns, George Schultz and Herbert Stein, for example—have explicitly recommended to Mr Reagan to recast the budget to reduce the deficits.

And finally, even the Managing Director of the International Monetary Fund, Jaques de Larosiere, recently called on Washington to muster the "political cour-rage" to reduce the budget deficits. This was an unusual step for the IMF chief since it looked like an intrusion into the USA's domestic politics. But he believed this was warranted because of the high US interest rates which were causing problems for the world economy.

Mr Reagan's reaction to all this has so far remained defiantly negative. For example, addressing the National Association of Manufacturers whose support for his economic policies was noticeably waning, he said inter alia (on March 18); "Let me be honest with you. I've been a little disappointed lately with some in the business community who have forgotten that feeding more dollars to Government is like feeding a stray pup. It follows you home and sits on your doorstep asking for more." This shows how easily Mr Reagan can stray into flippancy while dealing with grave issues. One can only guess how this pup analogy impressed the businessmen who were mostly his supporters, but no puppets.

What, then, is the outlook for interest rates? It is hard to take an optimistic view at this stage. The economy is now a hostage to high interest rates which, in turn, are a hostage to the budget deficits, all the more so since the Fed does not dare, even if it wanted to, loosen its monetarist shackles until the deficits are drastically reduced and brought firmly under control. And crowning it all, there is the deadlock between the White House and the Congress over the budget with their respective positions seemingly cast in concrete. How it will be broken, when, and on what terms no can foresee at this stage.

Circumstantial Evidence

That Mr Reagan is unlikely to relent willingly is confirmed by another circumstantial evidence. Milton Friedman, the economic mentor or Guru of the President, has just given a television interview on NBC's "Meet the Press" programme, in which he glowingly spoke or Mr Reagan's economic achievements; defended his policies to the hilt; expressed his dislike for large deficits, but rejected the very thought of increasing revenues through new taxes or tax-cut delays, and insisted that spending must be slashed further to reduce the deficits; blamed the large deficits mainly on the recession, and blamed the recession almost entirely on the Fed whose money-supply policy in the last two years had been highly "erratic". The Friedman stamp on Reagan policy is unmistakable. It is unlikely to be erased soon.

Nevertheless, the longer the high interest rates last, the longer and deeper will be the recession; and at a certain point the weak economy will no doubt bring down the interest rates. However, there are two factors which will, even then, tend to push up the rates: the unusually high level of Treasury borrowings, and the deteriorating liquidity of corporations burdened with high interest costs and shrinking profits, which will force them to borrow heavily from the long-term market.

Unique Situation

It is well to remember that the present situation is unique in one important respect: Never before in US history have interest rates remained so high even in the trough of a recession. This means that as soon as the recovery begins, the rates, starting from a high plateau, will tend to bounce back to, and may be beyond, the all-time peak of 21.5 per cent reached by the prime rate.

There remains one intriguing question: Has Mr Reagan any plans up his sleeve, which he could spring as a surprise at a critical moment with dramatic impact? One must not forget his ingrained love for drama and should not therefore rule this out.

Will he, behind the facade of relentless anti-communist tirade, negotiate with Soviet Russia deep cuts in nuclear arms, slashing the defence budget and the overall deficits, as some have speculated? This sounds too good to be true. In any case, there is not much time left for such an abrupt about-turn between now and November's mid-term election. At best, this might be somewhat more conceivable as a pre-election spectacular in 1984.

What about a gold link for the dollar—linked, may be, to the issue of new dollar bills replacing the old ones at, say, 1:2 ratio? This sounds not only feasible, but more and more appears rather likely. Consider, for example, what Jack Kemp (R., New York), the stalwart advocate of supply-side economics and a staunch supported of Mr Reagan, said in a recent interview with the financial weekly *Barron's* (March 15, 1982), repeating his favourite thesis with renewed ardour. His first preference is "a totally reconstructed new Bretton Woods-like system as a proxy for gold". Failing that he recommends "steps toward a gold-backed currency", emphasising his belief that once steps were taken to show that "it was going to be fully implemented within the next year to two years, or by the time Reagan finishes his first term in office, *interest rates would be in the single digit levels*". (Italics supplied)

Mr Reagan may have something similar in mind, and it could wonderfully serve his political and other objectives. Richard Nixon took the dollar off gold, setting in motion chain reactions that undermined the world economy and set the stage for double-digit inflation. Ronald Reagan probably yearns to be the hero who took the dollar back to gold, conquered inflation, and restored order to the US and the world economy.

Even then this, one must admit, is a terrible way of managing the affairs of a great nation. For one man's love for high drama the nation will be called upon to pay a high price—in terms of tension, anguish, dislocation, suffering, and the long wait.

Lesson: Never elect an actor as a chief of state.

UK : CBI Expects Modest Recovery

THE UK industry's order books are beginning to pick up and there is the prospect of a modest increase in output over the coming months, according to the latest Confederation of British Industry (CBI) Monthly Trends Report published on March 29. The report is the most optimistic monthly assessment since recession hit the manufacturing industries in April 1980, and it lends support to the Government's forecast that manufacturing production will rise by some three per cent this year and overall output by 1.5 per cent.

The CBI assessment is based on a survey of nearly 2,000 firms, at least half of which were aware of the measures introduced to help industry in the March 9 budget. Of these, nine per cent considered their order books as above normal, 39 per cent as normal, and 51 per cent as below normal—the most optimistic response for two years. Export order books also improved, particularly as compared with last year, with 13 per cent of firms reporting them above normal, 37 per cent normal, and 49 per cent below normal. The CBI said the response, "points to a continued improvement in manufacturing industry's demand", but noted that orders remained historically weak in comparison with the period before April 1980.

Asked about the likely output trend over the next four months, 21 per cent of the respondents expected a higher volume and 62 per cent a similar level of production. Only 17 per cent forecast a downward movement. Further heartening indications for the Government in its determination to bring down inflation came with the response to inquiries about price expectations. Only 37 per cent of firms expected to raise their domestic prices over the next four months, while 56 per cent thought they would maintain present price levels and five per cent forecast reductions.

Mahabubul Haq's Nostrum for Pakistan

THE DEPUTY Chairman of the Planning Commission, Dr Mahbubul Haq, has said that Pakistan's present potential and future needs demand that agriculture should be given the highest priority in its national planning.

Giving out broad policy objectives which he would like to be reflected in the country's development plan for 1982-83 at his first Press conference on March 25, Dr Mahbubul Haq said he favoured corporate farming on fallow land, and indicated that he might soon visit some of the Middle East countries to probe if Pakistan could develop its capacity with their investment to serve their needs of foodgrains, vegetables, fruit, meat and poultry.

The new Planning Commission chief has five priority areas in his mind which he hopes to incorporate in the plan. They are: (I) Major breakthrough in agricultural production; (2) Decisive revival of industrial growth; (3) All-out effort to develop the country's vast human resources through functional literacy; (4) Creation of safety nets for the poor and most vulnerable groups in society; and (5) a new charter for private and public sectors in future development.

New Charter

Talking of the need for a "new charter for private and public sectors", Dr Mahbubul Haq said for rapid economic and social progress the country must evolve the creative energies of the entire private sector which accounts for about 90 per cent of the present output.

To achieve the objective, he said, it was necessary that all existing controls and regulations be re-examined and most of them eliminated.

Claiming that the present system of education was "significantly inadequate", he pleaded for totally free but functional literacy up to the matriculation standard with a solid base in ethics, environment, science and technology, extremely selective expansion of universities with liberal scholarships for deserving students; schools all over the country to train intermediate skills for home and abroad and active participation of private source and village communities in "this hug task of reconstruction".

Talking of the need for industria revival, Dr Mahbubul Haq said tha with the forthcoming completion of th steel mill, the country would have major opportunity to start the secon phase of industrialisation by focussin more on engineering goods. He pleaded for three steps in this regard: availability of steel products must be ensure to domestic investors at reasonable an internationally competitive prices: establishment of a comprehensive framewor of incentives favouring goods productio and export; and opening up of this are mostly to private enterprise, enabling i to go ahead on the basis of public infrastructure.

Explaining the need for safety net for the poor, he said the best protectio for the poor was that they should b brought into the mainstream of economi life, they should be gainfully employe and there should be a steady increase i their productivity and incomes.

He said the balance between private an public sector shifted decisively in the 1970s In industry, private sector investment wa 93 per cent of the total in 1972 and onl 33 per cent by 1977. It has risen sinc to 40 per cent. Overall, private investment was 52 per cent of the total in 1972 29 per cent in 1977, 34 per cent in 1981 "A time has come to provide for a majo increase in the role of the private secto in future", he added.

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Point of View

Industrial Sickness: Can it be Remedied?

R. B. L. Garg

No sick unit should be allowed to exist if it has no chance of recovery. Take-over of sick units should be resorted to only if it serves essential requirements of the national economy and has fallen sick because of inefficient management. The author who is Lecturer in Postgraduate Department of Business Administration, MSJ College, Bharatpur, says that in the case of a whole industry falling sick, recovery would depend upon the policy and Plan priorities.

INDUSTRIAL SICKNESS is a global phenomenon. Even in the most highly industrialised countries of the world, the problem of industrial sickness exists, though the incidence may be low as compared to the less developed nations where industrialisation, as a result of low capital base and low level of technological and managerial know-how, has not been an exhilerating experience. There is little wonder then in less developed world some industrial units may die out before they begin to bear fruits, while many others never come up even after being conceived, and a few others fall sick due to the basic constraints. Even though such countries have to bear the pangs of growth, a constant fall in production activity and the consequent unemployment for a longer period may prove disastrous for their overall development.

Like many other less-developed countries, India is no exception to industrial sickness. What is a cause of concern, however, is the fact that even after more than three decades of experience of industrialisation, the incidence of sickness is growing at a rapid pace. In recent years, there has been a spurt in the number of sick units and the consequent locking up of bank credit. In 1976, the number of sick units in the large-scale sector was 241 (which locked up bank credit worth Rs 608.76 crores). It rose to as high as 378 in 1979 (Rs 1158.48 crores) and further steeply to 767 (Rs 1802.42 crores) in 1980. The sick units in the medium and small-scale sectors at the end of 1980 numbered 1,758 and 23,255, respectively. The total amount of the institutional credit locked up in the sick units at the end of December 1980 was Rs 2064.27 crores.

An industry-wise study would reveal (see table) that the number of sick units was highest in cotton textile sector (86) in which out of the total investment of Rs 1147 crores, as much as Rs 308 crores (or roughly 27 per cent) was in the sick units, as on December 31, 1979. The other affected units were in the engineering, iron and steel, sugar, chemicals, jute and cement industries. Bank credit locked up in textiles also topped the rest, as high as Rs 288.57 crores, followed by engineering and electricals (Rs 259.93 crores), chemicals (Rs 134.19 crores), jute (Rs 94.25 crores), sugar (Rs 83.21 crores) and iron and steel (Rs 53.50 crores). A State-wise study would reveal that West Bengal suffered worst where 17.5 per cent of all the large-scale units were sick, followed by Maharastra (8.2%), Punjab (7.8%), Uttar Pradesh (7.8%), Madhya Pradesh (7.3%), and Tamil Nadu (7.1%). It may be pointed out that the data relate to all classes of industries—small, medium and large.

Investment in Sick Industries

(Rs crores)

Industry	Total investment	Investment in sick units	%age investment in sick units
Engineering, iron and steel	3954	394	10
Cotton Textiles	1147	307	27
Chemicals	1228	128	10
Jute	728	86	12
Sugar	342	80	23
Others	5815	62	—

The Reserve Bank of India has laid down clear guidelines as to when an industrial unit can be regarded as sick. According to the Bank, when a unit has made a cash loss for one year and there is a strong probability of continuing loss for two more years, it can be regarded as sick. The RBI has given an alternative definition according to which the current assets should be lower than current liabilities and ratio of borrowings to net worth would be worsening, suggesting some structural defects or deterioration in the position of the unit.

Responsible Factors

Thus, the units showing symptoms such as frequent interruption caused by shortage of raw materials, falling sales curve, ever-growing working capital requirements, non-payment of wages and salaries and other statutory claims (such as PF, bonus, etc), continuing industrial unrest, etc., are potential sick units. The factors responsible for industrial sickness are generally divided into two parts, viz., internal and external. Among the internal factors may be included those causes which directly relate to a particular organisation, while the external factors are beyond the control of the affected unit or units.

An industry-wise study of the causes of sickness would reveal that although internal factors have been responsible for the growing malady, external factors such as deteriorating industrial relations, infrastructural bottlenecks, credit curbs, fiscal and monetary policies too have affected the growth of the industries in a big way. In the textile sector, where the incidence of sickness has been fairly high, factors such as demand recession, high cost of production, obsolete machinery and inefficient management have been mainly responsible for rendering many units weak and financially non-viable. It may be relevant to point out that the industry has been operating with low profitability mainly since 1974 when the Government first initiated some anti-inflationary measures.

A stagnant market and the strained industrial relations have further accentuated the problem forcing several mills in Maharashtra and Gujarat to close down in the recent years. The sickness in engineering industry is essentially due to non-availability of inputs and infrastructural bottlenecks. Heavy incidence of taxation, particularly in the automobile sector, has retarded rapid growth of this industry. The record of jute industry during the last three decades distressingly suggests that it has cared little to develop an in-built capacity to withstand temporary fluctuations in market earnings, leave alone facing the threatening competition from Bangladesh and synthetics. Jute mills have cared little to increase productivity, modernise machinery and diversify products in tune with the changing market.

Obsolete Machinery

Nor have they sufficiently attempted to tap the home market for new and diversified uses of hessian which they are forced to produce in excess. Like-wise, cement units have been crippled by obsolete machinery, power cuts, high debt-equity ratio, while sugar units are ailing mainly due to dual price system and steep excise duty as a result of which they have been unable to generate enough surpluses to plough back for modernisation or replacement of obsolete machinery. Iron and steel industry is languishing for a variety of reasons, including power stringency shortage of coking coal of good quality coupled with inadequate capacity of railway wagons, poor industrial relations and shortage of raw materials.

There is no doubt that the Government is alive to the problem and has initiated a number of measures, including setting up of Industrial Reconstruction Corporation of India (IRCI), take-over of sick units under the Industries (Development and Regulation) Act, 1951 and amalgamation of sick units with healthy ones. The measures initiated to cope with the alarming situation are no doubt well-intentioned. However, after a close scrutiny, it would appear that mostly these steps have not resulted in reviving the sick units in any significant manner.

Half-Hearted Efforts

The merger strategy, which has been practised for quite some time, has not really worked well despite extension of tax benefits to healthy units taking over the sick ones. The experience so far shows that the efforts of IRCI to revive the taken-over units continue to be half-hearted and unproductive. Of the 92 units taken over by the end of December, only two or three showed signs of recovery and most of the units are still languishing in the absence of any significant improvement in the management. The IRCI has invariably appointed retired Government officials and other superannuated persons on the boards of taken-over managements who simply bide their time for a few more years of working life having no stake in the well-being of such units. It may also be pointed out that most of these units are soft-pedalled on the labour front. Once a unit falls sick, it is of utmost importance that the day-to-day work of such units is not marred by turbulent labour relations. As has been observed in a large number of IRCI-units, inter-union and intra-union rivalries vitiate the normal functions of these units. The new management seldom cares to deal with labour unions with firmness as is urgently needed in such cases.

Needless to say, a sick unit is an economic liability for a nation and it has to be revived on social and economic considerations. It would not be possible without an all-out effort bot by the Government and the industrialist Lack of finance is a common cause c most sick industrial units which need to be properly remedied after unit-wis assessment of their requirements. Th problem of outmoded machinery can b resolved through soft loans for modernisation and expansion. This is bein done by the term lending institutions le by the IDBI. Mismanagement is ye another cause which can be got over b bringing in right men in terms of skill and accountability. It is however easier said than done as much depend upon the willingness of the affecte units to make such changes. Ther there are some general factors affectin the industrial units such as deman recession, shortage of power and othe infastructural facilities which only revea the inadequate industrial investmen and lack of general industrial climat in the country. In such cases, if sickness is confined to a particular unit o units, it may be presumed to be manageable. But if the whole industry i involved, the recovery would depend upon the policy and the plan priorities

Needed: Policy Changes

It is thus the need of the hour to create an ideal industrial climate by suitable policy changes so that the basic deficiencies are set right. Take-over of sick units may be a right step, but this should be resorted to in units which serve essential requirements of national economy but have fallen sick because of inefficient management and outright fraud. For the rest, the criteria of efficiency must strictly apply. In any case, no unit should be allowed to exist if it has no chances of recovery. The arguments of 'protecting social production' and 'maintaining level of employment' for defending such 'extremely weak units' are too weak to need any clarification. It is to be borne in mind adequately that while closure of such units may result in marginal adjustments (which will be easier to tackle if available resources are deployed meaningfully), their parasitic existance would mean colossal waste of nation's resources.

Point of View

Small-Scale Sector and Economic Development

Naresh Kumar

Investment in small-scale industries generates larger employment, which is very important in our country where millions of people are unemployed. Small-scale sector has achieved tremendous growth in recent years. From a production of Rs 5,510 crores in 1972-73, small-scale industry had achieved a four-fold growth at Rs 20,930 crores in 1979-80. Exports of small-scale industries also have been commendable. While the annual average growth of our total exports between 1973-74 and 1978-79 works out at 16 per cent, the growth of exports from the small-scale sector has increased by 20 per cent per annum. The export potential of the small-sector, according to the author, can be exploited better if institutional support is provided for product development and quality control.

SMALL-SCALE AND cottage industries have been flourishing in India since time immemorial and their products found ready markets abroad. The products are well known for their excellence and artistic skill. But during the British regime, they were almost ruined. However, after independence in 1947, the Government of India, realising the importance of these industries, veered round to the view that they were the chief means of livelihood for a large number of people. Accordingly, these industries were assigned an important role in the national economy and every possible help has been rendered to organise them in a manner capable of meeting the changing circumstances.

India is the second largest populated country of the world facing lots of constraints, including insufficient capital. A small enterprise is labour-intensive and axiomatically employment oriented : it requires correspondingly less capital and also facilitates dispersal of industry. It has been calculated that for every worker employed in the small-scale industry, an investment of only Rs 5,800 is required, as against over Rs 31,000 in the large-scale industry. A small enterprise also assists in channelling private savings into productive avenues and has immense adaptability to rural and semi-urban areas where infrastructure may not be fully developed.

Small-scale industries, thus, play a vital role in the Indian economy : they account for 40 per cent of total industrial production, nearly 40 per cent of industrial employment and 25 per cent of country's exports. The principal elements in the economic picture of our country today are rapid growth of population, increasing labour force, large volume of unemployment and underemployment and low rate of savings. This situation can be remedied to a great extent through promoting small-scale enterprises.

The small-scale industrial sector in India has recorded a fairly high rate of growth in terms of employment, production and exports particularly during the last two decades. This is evident from the number of units registered which went up from 36,000 in 1961 to eight lakhs in 1980 providing employment to seven million people. The total investment in this sector in 1966 was Rs 548 crores. It went up to nearly Rs 1,900 crores in 1980. The gross output as on March, 1980, was Rs 20,930 crores. This gives capital-output ratio of 1:11. In other words, for every one rupee invested in small-scale industry, the output generated was equal to Rs 11. In 1979-80, exports of small-scale industries were around Rs 1,050 crores, as against the total Indian exports of Rs 5,999 crores.

TABLE I

Contribution of Small-Scale Industries in National Economy

(as on March, 1980)

1. No. of units	8 lakhs
2. Estimated employment	70 lakhs
3. Estimated goss value of output	Rs 20,930 crores
4. Estimated investment in fixed assets	Rs 1,900 crores
5. Estimated export	Rs 1,050 crores
6. Capital output ratio	1 : 11.

Source: Report on Currency and Finance, RBI, Vol. I, 1979-80, P. 41.

Small-scale industries are labour intensive, i.e., labour investment ratio in their case is quite high. A given amount of capital invested in small-scale industries is likely to provide more employment. It has been estimated that an investment of Rs 1 lakh to Rs 10 lakhs is required to generate one job in modern large.scale industry, whereas a capital of Rs 500 can generate one job in small-scale industry. This is a very important matter for our country where millions of people are either unemployed or under-employed and where capital is scarce.

TABLE II

Production of Small-Scale Industries

Year	Value of Production (Rs Crores)	Growth % over the previour year
1972-73	5,510	—
1973-74	6,500	18
1974-75	9,202	41
1975-76	11,002	19
1976-77	12,400	12
1977-78	14,000	13
1978-79	15,790	13
1979-80	20,934	32

During the last decade, the small-scale sector has progressed from the production of simple consumer goods to the manufacture of many sophisticated and precision products like electronic control systems, TV sets, etc.

As indicated in Table II, there is tremendous growth of production in the small-scale sector. Production increased from Rs 5,510 crores in 1972-73 to

Rs 20,930 crores in 1979-80, indicating a four-fold increase. Upto 1974-75, the rate of growth of production was higher, but in subsequent years it declined or slowed down. In 1974-75, the growth rate was 41 per cent over the previous year, while in 1976-77, 1977-78 and 1978-79, it was 12, 13 and 13 per cent, respectively. Again in 1979-80, there was an increase in the growth rate to 32 per cent. This indicates that if a little effort is made by the concerned agencies, production can increase at higher rates.

Export Performance

In the earlier years, small-scale industries catered almost entirely for the domestic market. Now, however, an increasing quantum of its production is being exported and there is vast export potential in small-scale industries, which produce widely divergent products from pins to sophisticated machines. The value of exports of small units, which was insignificant before 1960, crossed the Rs 940 crores mark in 1978-79. The share of small sector in the total exports of the country also increased from 13.4 per cent in 1975-76 to 16.4 per cent in 1978-79.

The trends of India's export and the increasing share of small-scale industries (SSI) in it is revealed by Table III.

TABLE III

Export Trends and Share of Small-Scale Industries (SSI)

(Rs in crores)

Year	Total Exports Rs	% increase over previous year	SSI Exports Rs	% increase over previous year	% of SSI to total exports
1973-74	2,523	—	393	—	15.58
1974-75	3,329	32.0	541	38	16.25
1975-76	4,043	21.4	559	18	13.40
1976-77	5,143	27.9	878	38	17.07
1977-78	5,376	5.0	889	2	16.30
1978-79	5,717	5.8	942	6	16.40
1979-80*	5,999	5.0	1,050	11	17.50

* Data are provisional.

Between 1973-74 and 1978-79, the total exports of the country rose from Rs 2,523 crores to Rs 5,717 crores (227 per cent). Exports of small-scale industries went up by 240 per cent, that is from Rs 393 crores to Rs 942 crores. As a result, the share of small-scale industries' export in total exports increased from 15 per cent to 17 per cent.

Exports of small-scale industries rose from Rs 559 crores in 1975-76 to Rs 942 crores in 1978-79, as against the rise in the country's total exports from Rs 4,043 crores to Rs 5,717 crores. Thus, the share of export of small-scale industries in the total export rose from 13.4 per cent in 1975-76 to 16.4 per cent in 1978-79.

The annual average rate of country's export growth between 1973-74 and 1978-79 works out to 16 per cent. Similarly, the percentage increase in the exports of small-scale industries in 1976-77 over 1975-76 is 38 per cent. The annual rate of growth during 1973-74 to 1978-79 in the export from the small-scale sector is 20.2 per cent, which is four per cent higher than the annual rate of growth in the country's total exports.

The exports of SSI in 1979-80 were around Rs 1,050 crores, as against the total Indian exports at Rs 5,999 crores. The former, thus, constituted 17.5 per cent of the latter. While in some items like sports goods, processed tobacco, snuff and bidi, woollen garments, knitwear, small-scale units contributed 100 per cent of exports. Their share in exports of non-traditional item like engineering goods, basic chemicals, etc, was quite substantial. The achievements are due to a fair degree of modernisation and sophistication achieved in products and processes and the reservation of a number of additional items for manufacture in the small-scale sector. These exports are directed not only to the developing countries but also industrially developed countries like the US, Federal Republic of Germany, the USSR, Japan, etc.

The export potential of small industries of the rural and semi-urban areas can be exploited more fully by providing them institutional support for product development, quality control and financial and marketing assistance.

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Demand for Electric Lamps

AT PRESENT there are 11 units borne on the rolls of the DGTD for the manufacture of fluorescent tube lamps, with a total licensed capacity of 30 million numbers per annum. In addition, capacity covered through industrial licences is 9.3 million numbers and further letters of intent have been issued for an additional capacity of five million numbers—making the total approved capacity at 44 million numbers.

The production of fluorescent lamps of DGTD units during the last 5 years is as under :

1976	16.91 mill. nos.
1977	17.67 mill. nos.
1978	20.55 mill. nos.
1979	24 05 mill. nos.
1980	27.00 mill. nos.

The capacity utilisation in this industry during 1980 was around 90 per cent. The production during 1980 showed an increase of about 12 per cent over the production of 1979.

As per the draft Five Year Plan 1978-83, the targets of production and capacity for 1982-83 are 30 million numbers and 37.5 million numbers.

Taking into account the present installed capacity and the capacity likely to materialise by 1982-83 it is estimated that there may be a very marginal gap in the installed capacity for flourescent tube lamps. To bridge this gap, the existing units are likely to be encouraged to expand to achieve better economies of scale. Further, the progress of implementation of the schemes already approved naturally will be a factor in the setting up of new units.

GLS Lamps

There are 16 units registered with DGTD for the manufacture of GLS Lamps with a total licensed capacity of 231.5 million numbers per annum. Out of these, 3 units with a total licensed capacity of 21.5 million numbers has suspended production, leaving effective capacity in production at 210.0 million numbers. Additional capacity covered through industrial licences is 21 million numbers. However, out of this, a capacity of 7.5 million numbers is likely to materialise.

There are also some units in the small scale sector manufacturing GLS Lamps upto 100W only.

The production of the units borne on the list of DGTD during the last 5 years is as under :

1976	159.26 mill. nos.
1977	160.00 mill. nos.
1978	178.63 mill. nos.
1979	206.05 mill. nos.
1980	188.05 mill. nos.

The capacity utilisation during 1980 in the organised sector dropped due to non-availability of glass shells. The production during 1980 has shown a decline of nearly nine per cent over the production during 1979.

As per draft Five Year Plan 1978-83, the targets of production and installed capacity for GLS Lamps industry are 252 mill. nos. and 315 mill. nos. respectively by 1982-83.

Taking into account the present capacity and the capacity likely to materialise, the gap in the installed capacity as per DGTD estimates may be marginal. To bridge this gap schemes from new units as well as expansion of existing units to make them more economically viable were considered.

The following are the present manufacturers of electric lamps :

1. M/s Apar Pvt Ltd., Opp. D Nadiad Cabin, Chhami Road, Baroda.
2. M/s Bengal Electric Lamp Works Ltd., 4, Fairlie Place, Calcutta.
3. M/s Sylvania & Laxman, 68/2, Najafgarh Road, New Delhi-110015.
4. M/s Hind Lamps Ltd , Shikohabad.
5. M/s Philips (I) Ltd, 7-Justice Kalwa Chandra Madhab Road, Calcutta.
6. M/s Electric Lamp Manufacturers (I) (P) Ltd., 7-Justice Chandra Madhab Road, Calcutta.
7. M/s Bharat Electrical Industries Ltd., 23, Rajendra Nath Mukherjee Road, Calcutta.
8. M/s Electric Construction & Equipment Co. Ltd., Sonepat.
9. M/s Hindustan Machine Tools Ltd., Jalahallie, Bangalore.
10. M/s Mysore Lamp Works Ltd., Old Tunkur Road, P.O. Box 1209, Bangalore.
11. M/s Pradip Lamp Works Ltd., Jai Krishna Road, Patna-9.
12. M/s Toshiba Anand Lamps Works Ltd., Mahatma Gandhi Road, P.B. 1077, Ernakulam, Cochin.
13. M/s Lumina Electrical Industries, Bhivani Shankar Cross Road, Dadar, Bombay 28.
14. M/s Miniature Bulb Industries, 131, Kanwali Road, Dehradun.
15. M/s Geep Flash Light Industries Ltd., 28, South Road, Allahabad.
16. M/s Jain Lamps & Allied Ltd., 18, Pokher Pur, Kanpur.

NOTICE

M/s. Macmillan India Ltd., 2/10, Ansari Road, Daryaganj, New Delhi-110002 have been appointed as Special Agent for EASTERN ECONOMIST.

Chief Executive

STATE OF THE ECONOMY

Power Generation

For the first time in many years the power sector has exceeded the generation target fixed for the year. In 1981-82, the target of 122 billion units was exceeded by nearly one billion units. In 1981-82, 122.9 billion units of power was produced against 111.5 billion units produced in 1980-81, marking an increase of 114.4 billion units during the year. This constitutes a growth of 10.1 per cent.

Significant increases in power output were recorded in all the regions in 1981-82 over the previous year. The Northern Region recorded an increase of 9.2 per cen; Western Region 7 per cent; Southern Region 12 per cent, Eastern Region 14.8 per cent; and the North-Eastern Region 30.1 per cent. The major factor contributing to the excellent performance of power sector in 1981-82 has been the big increase recorded in the thermal generation. The thermal output registered a growth of 13.4 per cent over the previous year. Thus the strategy evolved by the Ministry of Energy and the Central Electricity Authority to give a boost to thermal output has paid rich dividends.

In the area of thermal generation also, major increases were recorded by all the regions. The thermal output in the Northern Region went up by 10.3 per cent; Western Region 8.1 per cent; Southern Region 26.6 per cent; Eastern Region 16.8 per cent and North-Eastern Region 51 per cent. The capacity utilisation of thermal plants increased to 47 per cent as against 45 per cent in the previous year.

The hydro generation during the year went up by 6.5 per cent. Consequent upon the significant increase in generation, power supply to steel industry went up by 30 per cent and lcoal industry by 20 per cent in 1981-82 over the previous year. The improved availability of power to these core sectors facilitated an increase of 9 per cent in coal output and 18.6 per cent in the production of saleable steel. The agriculture sector was another beneficiary of the increased power output. Subsequent to early withdrawal of South-West Monsoon, instructions were issued by the Ministry of Energy for adequate power supply to the farmers. This has resulted in better kharif production during the year.

Substantial Improvement

The power supply in individual States also improved considerably during the year. In the Southern Region, Kerala and Andhra Pradesh have been surplus in power and assisting Karnataka which has been experiencing shortage after January, 1982. Tamil Nadu is, by and large, able to meet its energy needs. In the Western Region Gujarat has been meeting its energy requirements fully and in Maharashtra energy shortage is only marginal.

In the Eastern Region there has been substantial improvement in power situation as a result of the remarkable performance of DVC during the year. DVC recorded an increase of 40 per cent in power output over the previous year, and plant load factor of thermal stations during 1981-82 was over 50 per cent as against 37.6 per cent in the previous year. DVC has been able to meet its contractual obligations to all core sectors of the economy like steel, coal and railways. In the North-Eastern Region, the requirements of the various sectors have been by and large met. Himachal Pradesh has continued to be an energy surplus State and power position in Delhi has been very comfortable during the year.

The Central Sector Badarpur Thermal Power Station has been rendering substantial assistance to Rajasthan to tide over the power problem in the State. Punjab and Haryana have imposed only peak period restrictions; and UP has been able to relax power cuts on industries and is rendering assistance occasionally to the neighbouring States like Rajasthan and Bihar.

Progress of Labour Welfare

The Ministry of Labour is actively considering amendments to 15 labour laws to protect and further improve the welfare of working class. It has also undertaken the studies on industrial relations in Life Insurance Corporation, Thana-Belapur industrial belt of Maharashtra and coal industry. According to the annual report, the Ministry was proposing legislation for providing safety and regulation of employment and conditions of service of employees engaged in building and construction industry. The details were being worked out.

To have better conciliation services, preventive mediation and more effective enforcement of labour laws, the Central industrial relations machinery had been strengthened by creating three more regions at Gauhati, Chandigarh and Bangalore. Eleven additional field offices of Assistant Labour Commissioners had also been set up. The total number of mandays lost according to the report during the year were around 22.56 million. Strikes accounted for 57 per cent of total time loss during 1981 as against 55 per cent during 1980. On the other hand, lockouts accounted for 43 per cent of the total time loss during 1981 against 45 per cent in 1980.

Liberalised Scheme

The Employees Provident Fund Scheme was liberalised to provide advances for housing, illness, marriages, reduction of waiting period and for handicapped. The financial help to the nominees or heirs of deceased members of unexempted establishments had been increased to Rs 1250 and the pay limit for such a benefit had also been raised from Rs 500 to Rs 1000 per month. Further amendment to the Provident Fund Act to extend the scope and for effective collection of arrears, control over the exempted establishments and for providing stringent punishment for offenses was being worked out.

The Employees State Insurance Corporation commissioned nine hospitals, two annexes and 12 dispensaries during the year. The improvements were made in the working of the scheme by providing an additional doctor in dispensaries where there was only one doctor and by delegating full powers to the States for expendiure on medical care. The amendment to the Employees State Insurance Act to widen its coverage and for additional benefits to the insured persons was under consideration.

The Ministry had number of committees and working groups to look after the interest of agriculure, unorganised, bonded, child and women labour on a continuing basis. A Central advisory committee had been set up to advise on the scope for widening the avenues of employment opportunities for women. Most of the States had set up the advisory committees. The Central Government had appointed authorities for hearing and deciding claims and complaints.

The Ministry had extended the Gratuity Act to motor transport undertakings, inland transport undertakings, clubs, Chambers of Commerce and Industry and Associated/ Federation of Chamber of Commerce and Industry. Solicitors offices and local bodies employing ten or more persons had also been brought under its purview. There was proposal to amend the Gratuity Act to cover administrative or managerial persons drawing wages upto Rs 1600. According to the report, the Ministry was also drafting amendments to the Payment of Wages Act to extend the applicability of the Act from wage limit of Rs 1000 to Rs 1600 per month. The amendments to the Minimum Wages Act was being worked out to bring down the time limit for revision of wages and to enhance the penalties. There was a proposal to amend the Contract Labour Act to provide for absorption of contract labour, stricter penalities, redefining the concept of 'Appropriate Government'.

Agricultural Output

Foodgrains production in 1981-82 is higher by 3.2 per cent over 1980-81. The annual report of the Ministry of Agriculture says the production of foodgrains in 1981-82 is expected to reach 134 million tonnes, exceeding the previous record level of 132 million by two million tonnes.

Another welcome development during the year under review has been the continuing progress in sugarcane production. The production which had slumped to 129 million tonnes in 1979-80 increased to 150.5 million tonnes last year and is expected to touch a level of 170-180 million tonnes during 1981-82.

The outlook for cotton and jute production as well is equally promising, the report says. The Government expects eight million bales of each crop. Oilseeds output has been estimated at 11 to 12 million tonnes and that of pulses between 12 and 13 million tonnes, thanks to the special emphasis laid on development of pulses, oilseeds and dryland farming. Both short-term and long-term projects were taken in hand.

A new strategy was evolved with emphasis on the use of high quality seeds, comprehensive pest management and extension of cultivation to irrigated areas.

The year 1981-82 can be considered a year of record agricultural production in many respects despite incidence of aberrant weather conditions at places. It is in this year that agriculture can be said to have turned the corner. As a result, higher levels of production have been targeted for the coming year 1982-83.

It is proposed to add 4.32 million hectares to the area

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under major crops. Under paddy alone, the additional area will be 3.17 million hectares and under wheat 340,000 hectares. The target is 58 million tonnes of rice against 54.5 this year and 39 million tonnes of wheat against 37.5 million tonnes expected in this rabi season.

Cotton is planned to be 86 million bales. Jute and mesta 85 million bales. Milk production is proposed to be increased by 1.6 million tonnes (from 33 to 34.6 million) and eggs by 500 million. Fish catch is to be raised by 340,000 ion tonnes from 2.64 to 2.98 million tonnes, both marine and inland.

Intensified Coal Exploration Programme

The Government has decided to intensify its coal exploration programme to increase the proven reserves by 13,000 million tonnes by 1984-85. The intensified exploration programme prepared by the Central Mine Planning and Design Institute Limited (CMPDIL) envisages drilling of 14.78 lakh metres by 1984-85, according to the Department of Coal.

To implement this programme, 200 drills would be required on an average against the deployment of 150 drills in the past two years. Efforts would be made to ensure that exploration work does not suffer due to shortage of funds.

Five blocks have already been identified for exploration of deep seated coal reserves and the likely cost of this exploration would be Rs 75 crores.

Global tenders have been invited for exploration of deep seated reserves, official sources said. The coal blocks that have been identified for intensified exploration are, Mahal (Jharia), Suraju Nagar (Raniganj), Tamla (Raniganj), Pench (Madhya Pradesh) and Parbatpur (Jharia).

The CMPDIL has already taken action to recruit geologists to supervise the work.

The annual target for drilling in the current financial year has been fixed at 300,000 metres and for 1983-84at 3.5 lakh metres. The drilling-achievement target for 1984-85 is set at 3.64 lakh metres. In the last two financial years, coal drilling exploration of over 4.5 lakh metres is estimated to have been carried on under the coal exploration programme to increase proven reserves.

On present reckoning, India possesses only about one per cent of the world's coal reserves. While reserves of non-coking coal in the country are expected to last about 350 years, those of coking coal are expected to last only about 50 years

Both in terms of area and depth covered, official sources pointed out, the coal exploration work in the country is not yet complete, although work had been intensified after nationalisation of coal industry in 1974.

ONGC 10-Year Plan

The Oil and Natural Gas Commission (ONGC) has introduced a 10-year plan con-

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cept for oil exploration and production in view of heavy investments and long gestation period. Its exploration philosophy too has been changed to the more appropriate concept of "common basin," according to Mr S.P. Wahi, Chairman, ONGC.

He said the unified strategy for exploration and exploitation of hydrocarbons with sedimentary basins as a unit would enable optimum utilisation of available technological resources and better deployment of expertise.

Mr Wahi said ONGC crude production during 1981-82 stood at 13.2 million tonnes, registering an increase of 43 per cent over the previous year. The target for 1982-83 has however been scaled down to 17.91 million tonnes because of "inputs constraints". The offshore production target for the year which under the acelerated production programme was fixed at 13.95 million tonnes, has been revised down to 12.11 million tonnes.

Mr Wahi said despite the cut in this year's production, the over-all target for the Sixth Plan would be hit. He said greater emphasis was being given on rejuvenation, repair and recovery of sick wells.

Leather Exports

Export of Indian leather and leather products which had suffered a setback during 1980-81, have started picking up since September last following economic recovery in Western Europe and the United States, according to Mr Mr M.M. Hashim, Chairman, Leather Export Promotion Council.

He said exports which had reached the peak level of Rs 425 crore in 1979-80 had dwindled to Rs 330 crore in 1980-81 following recession in leather importing countries. They had picked up in 1981-82 and during the first 11 months of the year, the earnings were computed provisionally at Rs 345 crore and the year was expected to close with Rs 400 crore though this target was set at Rs 425 crore, he added.

There was also a qualitative change with manufactured products accounting for 31 per cent (Rs 105 crore) of the exports during the 11 months as against 16.5 per cent in 1979-80 and 26 per cent in 1980-81. The rest were semi-finished and finished leather, Mr Hashim said.

Rupee-Pound Exchange

The Reserve Bank of India recently announced an upward revision of the rupee by 0.61 per cent in relation to the pound sterling. The spot buying and selling rates are so fixed as to give a new middle rate of Rs 16.50 compared with the previous rate of Rs 16.60.

The new buying and selling rates for spot delivery are: Buying: Pound sterling 6.0753 per Rs 100 (corresponding to Rs 16.66 per sterling). Selling: Pound sterling 6.0459 per Rs 100 (corresponding to Rs 16.54 per sterling).

BHEL Output

The state-owned Bharat Heavy Electricals Limited (BHEL) has joined the select group of a few billion dollar companies by having attained a production level of Rs 915 crore in 1981-82. At this level the company recorded a 16 per cent growth in output over the previous year's level of Rs 787 crore.

For the current year, BHEL has drawn up an ambitious output target of Rs 1100 crore which represents an anticipated growth of 25 per cent over the budgeted target of Rs 875 crore for 1981-82. The company earned a pre-tax profit of Rs 51 crore in 1981-82 as against merely Rs 37 crore in the corresponding period of the previous year. This is the 11th successive year of profits for this prestigious public sector undertaking.

During 1981-82 there was an addition of 2175 MW in the installed capacity of power generation in the country of which the BHEL equipment accounted for as much as 2010 MW or about 92 per cent of the total capacity addition.

Besides, of the total increase in the thermal power generation of 8200 million units or 13 per cent over the previous year, about 89 per cent or 7300 million units was contributed by the thermal sets supplied by BHEL. As compared to the previous year the total increase in generation from BHEL sets was of the order of about 28 per cent.

The maximum contribution estimated at around 60 per cent came from BHEL built 200 and 210 MW size units which are now the backbone of thermal power generation in the country.

The company's order book is said to be quite comfortable since it increased to Rs 3000 crore at the end of 1981-82 as against Rs 2000 crore in the beginning of the year.

During the Sixth Plan period nearly 20,000 MW of aditional generating capacity is planned to be commisioned and BHEL is expected to supply nearly 86 per cent of the total equipment requirements. Out of a total of 151 thermal and hydro power sets to be supplied by BHEL, it has already supplied 111 thermal and hydro sets upto March 1982.

Record TISCO Output

Tata Steel has announced an all-time record production of saleable steel at 1.605 million tonnes representing over 105 per cent of its installed capacity. At a press conference in Calcutta recently, the Vice-Chairman and Managing Director, Mr Russi Mody, stated that it was a matter of great pride that Tata Steel which this year is celebrating its Platinum Jubilee has thus given concrete shape to the Prime Minister's appeal for production and productivity. Mr Mody announced that despatches of saleable steel at 1.637 million tonnes also constituted a record.

Among the other significant records achieved by Tata Steel are: (a) an all-time low fuel consumption for iron-making and steel melting; (b) an all-time low skip coking rate — a significant achievement when viewed in the light of high ash content of Indian coking coal; and (c) an all-time low in the purchased liquid fuel consumption which meant that Tata Steel used 20,000 tonnes less of liquid fuel than in the previous year thus saving the country about Rs 5 crores in foreign exchange.

The records on the production front were matched by an equally impressive performance in the company's mines and collieries. Mr Mody underlined the fact that the company's record-breaking performance this year and its consistent utilisation of capacity averaging over 100 per cent for the last 8 years were entirely due to the high morale and cooperative effort of the entire workforce. Tata Steel's high premium on plant maintenace and encouragement of individual ingenuity has also paid off, Mr Mody added.

Names in the News

The Ministry of Transport & Shipping, Government of India, has appointed Mr **Balwant Rai** as a trustee on

the Board of Trustees f the Port of Madras for two-year term with effe from April, 1982. Mr B want Rai is the Chairman RKKR Steels Pvt Lt Madras.

COMPANY AFFAIRS

Zenith Steel

ZENITH STEEL Pipes and Industries Ltd. reported a 28 per cent rise in sales for 10 months ending February 1982 at Rs 57.63 crore compared to Rs 45.06 crore during the crresponding period last year. Exports of pipes amounted to Rs 9.35 crore this year against Rs 9.27 crore last year, the Chairman of the company, Mr Ashok V. Birla, told shareholders at an extraordinary general meeting of the company held in Bombay.

Mr Birla said production of the pipe plant for the 10 months was 60,707 tonnes (57,959 tonnes), production of special steels division was 21,233 tonnes (19,022 tonnes), production of the steel rolling unit was 14,383 tonnes (10,272 tonnes) and of the chemicals division 608 tonnes (431 tonnes).

The company was taking steps to implement the cement project but was considering shifting to another site because the power situation at the proposed Rajasthan site was not satisfactory. The company's paper division, based in Punjab, would begin work within the next few weeks.

Mr Birla stated that the company was showing satisfactory results during the first six months of the year and had an operating profit of Rs 185.55 lakh against Rs 151 lakh for the corresponding period last year.

Rohit Mills

Rohit Mills Ltd has shown satisfactory working results for the year ended December 31, 1981. The sales have risen to Rs 23.50 crore from Rs 19.99 crore in the previous year.

The Board of Directors of the company recommended a dividend of Rs 15 on equity shares for 1981. Last year the company paid a dividend of Rs 19 (Rs 14 plus 5).

The allocations include Rs 32.09 lakh (Rs 25.57 lakh) for depreciation, Rs 1.01 lakh (Rs 1.13 lakh) for managerial remuneration, and Rs 2 lakh (Rs 6 lakh) for investment allowance reserve. The net profit amounts to Rs 20.78 lakh as compared to Rs 19.86 lakh in the previous year.

Boots (India)

The sales of the Boots Company (India) Ltd in the first three months of the current year (January to March 1982) were higher at Rs 6.97 crore as compared to Rs 5.75 crore achieved in the same period of the previous year, according to Mr N.S. Phatarphekar, Chairman of the company.

He told the shareholders of the company at the annual meeting recently that export sales of the company made a significant contribution to the total sales so far this year. He hoped that this trend would continue during the rest of the year.

The company has received a letter of intent for a substantial expansion of its capacity from 15 tonnes now to 85 tonnes, the Chairman said. Negotiations with the Government in regard to some of its terms are on and an industrial licence on mutually acceptable terms is expected soon.

The company has also applied for permission for the manufacture of three additional bulk drugs and four bulk intermediates, Mr Phatarphekar added.

The company has also applied for permission for the manufacture of three additional bulk drugs and four bulk intermediates, Mr Phatarphekar added.

Stone Platt (India)

The Directors of Stone Platt Electrical (India) propose to raise the dividend from 7.50 per cent to 12.5 per cent for 1981. The company's turnover has risen from Rs 7.95 crore to Rs 8.47 crore. After providing Rs 6.98 lakh for depreciation (Rs 5.09 lakh), the pre-tax profit is Rs 1.09 crore (Rs 57.04 lakh). Taxation absorbs Rs 69.50 lakh (Rs 41.90 lakh) and investment allowance reserve Rs 1.25 lakh (Rs 14,500). The proposed dividend will absorb Rs 11.16 lakh (Rs 6.70 lakh).

Peico Electronics

Peico Electronscs & Electricals Ltd recorded an increase in sales of fittings and accessories, lamp components, welding electrodes and batteries and a higher level of project installation leading to the growth in sales during the year by 24.2 per cent to Rs 148.8 crores. Operations during the year were, however, characterised by rising wages, disturbed labour conditions, low productivity, loss of prodution due to prolonged closure of the factories in Pune. All these influenced the sales tempo, despite a sustained increase in the demand for the company's products. The profit for the year before tax was Rs 18.3 crores compared to Rs 15.5 crores in 1980. Provision for tax was Rs 11.6 crores against Rs 9.8 crores last year. The profit after tax of Rs 6.7 crores compares favourably with that of the previous year at Rs 5.75 crores.

An amount of Rs 82 lakhs has been transferred to the investment allowance reserve. Rs 15 lakhs have been released from the development rebate reserve, which is no longer statutorily required, and an amount of Rs 30 lakhs has been released from the debenture redemption reserve. Rr 312 lakhs have been transferred to the general reserve The increase in cost of materials, wages, fuel and energy coupled with higher interest costs to finance a higher leve of working capital, all contributed to the increase in costs The pressure on results was contained by changing produc mix, increasing the volume o sales and a selective increase ir selling prices.

With a view to bringing the paid up share capital in line with the capital employed in the business the Directors propose an issue of 3,600,000 shares of Rs 10 each as fully paid up bonus shares in the ratio of one share for every five shares held, out of the share premium and general reserve, subject to the approval of the Controller of Capital Issues and other statutory approvals. An appropriate resolution is being placed before the shareholders for their consent to the issue of bonus shares.

The Directors recommend for approval the payment of a final dividend of Rs 1.00 per-share subject to tax for the year 1981. The final dividend if approved, together with the interim dividend of Rs 0.80 per share, subject to deduction of tax, declared by the Board of Directors on November 20, 1981, will make a total gross distribution of Rs 3.24 crores as compared to Rs 3.20 crores

Good Demand

Demand for the company's range of high quality electroni components continued to increase. However, the interrup tion in production in the Lon factories for 81 days affecte the availability. Restoratio of production in the last fou months enabled the compan to meet customers' require ments.

The company has receive letters of intent for standar film resistors, foil variable capa citors and carbon potentio meters. Further application for expansions have been sub mitted. A programme o modernisation to introduc 'State of Technology' compo ents in the coming years has een initiated.

During the year the audio arket showed a substantial rowth. The significant increase in demand for radio-assette recorders and cassette ecorders reflected the international trends in this field. he record-playing equipment arket showed a distinct hift towards high performance roducts. In keeping with these hanges, the company introuced various new models of adio sets, recorders and turnables. The company has appied to the Government for ew capacities and expansions hich could substitute imports nd meet the needs of the quipment assembly industry.

The company has applied or expansion of its capacity, articularly for specialised lectrodes. It has recently received a letter of intent for a range f 'Welding Equipment' to be anufactured in technical colaboration with N.V. Philips' Welding Industries BV at Kalwa.

The factory in Pimpri, producing a range of instruments, PA Systems and professional microphones is being modernised to meet the critical environmental conditions demanded in the production of such specialised products.

A number of new measuring instruments were introduced during the year. A highly sensitive multimeter of advanced specifications designed for the international market was launched. A variety of design and material related problems were successfully tackled. Local project work for batching and weighing systems and supervisory systems for power stations commenced. A large number of sophisticated analytical instrumentation packages were installed and use commissioned. The increasing of micro-processors in instrumentation has brought a new dimension to this activity of the company.

Sudershan Plywood

Sudershan Plywood Industries, Calcutta, are one of the quality and superior grade plywood manufacturers in India engaged in the manufacture of Commercial Plywoods, Decorative Plywoods, Shuttering Plywoods, Marine Plywoods, Block Boards, Solid Core Flush Doors, Veneers, etc. in their various factories located in Assam, Arunachal Pradesh, Nagaland and Uttar Pradesh. They are marketing their products under the brand name 'SWASTIK'.

Swastik range products are known in the market for their quality and good performance. These products are from high quality selected hardwoods and bonded with either Urea Formaldehyde or Phenol Formaldehyde synthetic resin as per the grade of plywood, block boards and flush doors.

All the Swastik range products are as per respective ISI specifications, which is recognised by various standard institutions in the world.

Sudershan Plywood alongwith Himalayan Plywood Industries are equipped with modern plywood factories and wood working units and presently they are manufacturing plywood products about 25,000 Sq. Mtr. per day on 4 mm basis.

They are one of the leading exporters of these plywood products to various countries including Iraq, Malavi and Sri Lanka. They have a recognised export house in their sister concern's name M/s. Avadh Plywood Industries. The outstanding export performance of this firm has earned two export awards from the Chemicals and Allied Products Export Promotion Council of India.

With their latest technical knowledge in the processing of timbers they are able to meet the growing needs of a plywood required for the building and furniture industry to a large extent.

Feeling the necessity to produce an item which can stand rough handling and to withstand variable climatic condition and ideal for all types of construction particularly for quality furniture, kitchen furniture and other exterior uses is felt by various sections of the users such as architects, builders, engineers, interior decorators, housewives and the like who are concerned with construction and interior decoration jobs, the Sudershan has launched their new product 'KITPLY'.

This product, 'KITPLY' is a BWP (Boiling Water Proof) marine grade plywood, manufactured from the veneers of selected hardwood timbers and bonded with high quality phenol formaldehyde synthetic resin and hot pressed at high pressure and temperature. 'KITPLY' is, therefore, water proof, weather proof, insect resistant and having dimensional stability for lasting service due to its inherent rigid construction and properties. This plywood will withstand for all types of climatic and weather conditions and durable even against strenuous and vulnerable uses. 'KITPLY' is a guaranteed quality plywood against any manufacturing defects. Any type of laminates can be used with 'KITPLY' for obtaining decorative look. It can be converted to any shape, could be cut nailed, grooved, polished and painted.

Indian Petrochemicals

Provisional results of performance of Indian Petrochemicals Corporation Limited, a major public sector enterprise under the Central Government engaged in the

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petrochemicals industry, for the financial year ended March 31, 1982 are highly encouraging. Production of ten of its major final products out of eleven registered a marked increase over the corresponding figures for 1980-81. In the case of two products—Dimethyl Terephthalate (DMT) and Linear Alkyl Benzene (LAB)— production in 1981-82 has been in excess of their respective installed capacities. DMT and LAB are respectively the major raw materials for the manufacture of polyester staple fibre/filament yarn and synthetic detergents.

The DMT plant was commissioned in 1973-74 and production achieved in each successive year from 1976-77 onwards (excepting 1980-81) has been in excess of the installed capacity of 24,000 tonnes. This has been possible due to technological improvements. The LAB plant was commissionaed in 1978-79 and it has been possible to achieve production of LAB in excess of installed capacity (30,000 tonnes) in 1981-82. Due to the unstinted cooperation of its employees IPCL has not only been able to increase production but has also established several safety records for which it has received international recognition. The National Safety Council of United States of America has conferred on the company the highest award for safety.

WIMCO Secures Big Export Order

WIMCO Ltd has recently secured a prestigeous export order, covering a wide range of food products, for direct supply to the Soviet Union. This order, valued at over Rs 7.2 crore is in addition to the normal growth in the export activities. The company's exports in 1982 will be well over Rs 10 crore.

The Directors say that the performance so far in the current year is in line with the expectations, but the profit margins are still under pressuredue to uncertain andrecessionary market conditions.

There was a substantial fall in the net profit of the company to Rs 1.38 crore in 1981 from Rs 2.68 crore in 1980. After adjustments, the surplus available for appropriations amounted to Rs 2.7 crore against Rs 3.6 crore. The equity dividend is to be reduced marginally from 15 per cent to 1.5 per cent.

Blue Star

The Directors of Blue Star Ltd, propose to raise the equity dividend from 17 per per cent to 20 per cent for 1981 following an improvement in the working results for the year. The total income has gone up from Rs 43.56 crore to Rs 53.93 crore and the gross profit from Rs 1.96 crore to Rs 2.42 crore. The distributable profit is placed at Rs 81.66 lakh Rs 62.40 lakh). The proposed dividend will absorb Rs 28.47 lakh (Rs 24.30 lakh). A sum of Rs 53.19 lakh is transferred to general reserve (Rs 38.17 lakh).

Ashok Leyland

The first phase of the modernisation programme of Ashok Leyland at Ennore has now been nearly completed and a detailed study is being made of the next phase of such activity, Under the scheme of regularisation of production capacity, the licensed annual capacity for the manufacture of medium duty commercial vehicle at Ennore has been increased to 17,500 vehicles. The Government has issued an industrial licence for the manufacture of an additional 27,500 medium duty commercial vehicles at new locations at Alwar, Bhandara and Hosur.

The construction activity at Alwar and Bhandara is progressing rapidly and it is expected that assembly activity will commence very soon. To fund the imported capital equipment for the expansion programme the company has signed loan agreements with International Finance Corporation, Washington, for US $ 28 million and with Grindlays Bank for £ 21 million.

Doom Dooma India Maintains

The working of Doom Dooma India Ltd in 1981 has resulted in a profit of Rs 57.59 lakh against Rs 51.43 lakh in the preceding year after providing Rs 21.82 lakh for depreciation (Rs 21.07 lakh) and Rs 1.07 crore for taxation (Rs 1.13 crore). The dividend of 20 per cent is proposed to be maintained.

Arbuda Mills to Issue Bonus Shares

The Directors of Shri Arbuda Mills propose to issue bonus shares in the ratio of one share of Rs 100 each for every 10 shares held. The dividend for 1981 is proposed to be maintained at 17 per cent.

The gross profit is slighty lower at Rs 1.50 crore against Rs 1.73 crore. The provision for depreciation is Rs 114.57 lakh (Rs 117.51 lakh). Rs 22.02 lakh or investment allowance (Rs 25.64 lakh) and Rs 1.70 lakh for taxation (Rs 5.80 lakh). The net profit amounts to Rs. 76.3 lakh aginst Rs 20.38 lakh). The proposed dividend is Rs 11.90 lakh (Rs 11.90 lakh). The allocation to reserves is Rs 8.10 lakh (Rs 10.97 lakh).

ASE Bonus Issue

Ambalal Sarabhai Enterprises Ltd (ASE) has received the consent of the Controller of Capital Issues for the issue of bonus shares in the ratio of one share for every five shares held.

The company has offered on a rights basis secured convertible bonds to the extent of Rs 10 crore and the response is said to be encouraging. The company has received a large export order of over Rs 15 crore for the export of detergents, dyes, drug and cosmetics. The company is setting up an ultra-modern 30,000 TPA detergent plan

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in the free trade zone at Kandla and this is expected to be commissioned shortly. It has also acquired the manufacturing facilites of Whites Ltd, which has a modern automatic plant with a capacity of 10,000 tonnes a year of synthetic detergents to augment its own production.

Maneklal Harilal

The Maneklal Harilal Spinning and Manufacturing Co Ltd has made a lower gross profit of Rs 1.55 crore for the year 1981 as compared to Rs 2.01 crore in the previous year. The total sales increased slightly to Rs 22.97 crore from Rs 22.18 crore in the previous year.

The Board of Directors of the company have decided to maintain the dividend on equity shares at Rs 25 subject to tax.

Karnataka Soap

A Rs 16-crore expansion project of the Karnataka Soap and Detergent Ltd, a State Government undertaking to produce 26,000 tonnes of toilet soap per year is expected to be completed in 1985, according to Mr V.M. Natarajan, General Manager of the soap division of the undertaking.

With the completion of the expansion programme, the annual turnover of the undertaking would increase to Rs 60 crore from Rs 20 crore at present, Mr Natarajan told a party of newsmen who recently visited the plant at Bangalore.

The two factories of the undertaking—the soap factory in Bangalore and the sandalwood oil factories in Mysore and Shimoga were presently working at 50 per cent of their capacity because of the declining prices for sandalwood oil in the international markets.

Mr Natarajan said availability of sandalwood from the State Forest Department had also been steadily decreasing. To meet the requirements, it was purchasing some quantities of sandalwood in open auctions in Tamil Nadu. To overcome these difficulties, the undertaking has formulated diversification programmes to produce other essential oils like geranium, citronella, lemongrass and palmrosa.

It proposed to coordinate its efforts with the State Forest Department so that the diversification programme of the two units at Mysore and Shimoga could be implemented as soon an possible.

The diversified production of other essential oils would reduce dependence in imports and also assist in production of more varieties of toile soap, he said.

Though the installed capacity of the plant was 6,000 tonnes per year, Mr Natarajan said, the undertaking surpassed it last year and produced 6,700 tonnes of soap.

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It earned foreign exchange of Rs 6 crore from exports to Russia during the year.

The detergent plant which started in 1975 to manufacture 10,000 tonnes of detergent powder and cakes per year reached 80 per cent of capacity and the Point detergent poweder has been adjudged to be the best detergent powder manufactured in the country.

Standard Mills

Mr Ramesh Mafatlal, Chairman of Standard Mills, told shareholders at the extraordinary general meeting in Bombay that they should not be unduly alarmed over the dividend prospects for the current 15 months period ending June 1982 despite the prolonged strike in the Bombay mills.

He said that though the textile unit in Bombay was closed since the middle of October 1981, the chemical unit was functioning well. Besides, the Dewas textile plant was faring quite satisfactorily. This would mean that the company would be relatively better off when compared to other units. The company's long term prospects were quite encouraging, he added.

He pointed out that the company could not make a fresh free scrip issue till the end of 1984 since it was only in 1981 that it had given bonus shares. The company proposes to issue 200,000 13.5 per cent convertible bonds of Rs 500 each (Rs 10 crore in all) on a right basis to its existing shareholders. However, shareholders of Sandeep Holdings Ltd, which hold 4,05553 equity shares would not be given this right.

The Government wanted that the shareholding of Mafatlal family and its associates be brought down to 40 per cent. Mr Ramesh said that the shareholding of the family would be dropping to 38 per cent once the proposed bonds got converted into equity holdings in 1984.

The shares to be issued on conversion of bonds will be eligible for the bonus shares that might be issued after December 1984. Out of Rs 500 per bond, Rs 250 per bond will be converted into one equity share of Rs 100 each at a premium of Rs 150 each. The balance will be paid back in instalments. The proceeds of the proposed bond issue would be utilised partly for meeting the capital cost of the company's expansion programme.

Hind Dorr-Oliver

The Directors of Hindustan Dorr-Oliver Ltd, propose to reduce the equity dividend from 55 per cent to 45 per cent for the year ended November 30, 1982. The proposed cut in the distribution follows a setback in the operations of the company during the year.

The turnover has gone down from Rs 17.10 crore to Rs 14.43 crore and the gross profit from Rs 2.96 crore to Rs 2.13 crore. After providing Rs 4.79 lakh for depreciation (Rs 3.80 lakh) and Rs 1.54 crore for txation (Rs 2.21 crore), the net profit comes to Rs 54.73 lakh (Rs 72.06 lakh). A sum of Rs 83 lakh has been transferred to reserves (Rs 7.25 lakh) and the proposed dividend will absorb Rs 29.70 lakh (Rs 36.30 lakh), leaving a sum of Rs 22.29 lakh to be carried forward against Rs 80.25 lakh brought in.

Readers' Roundtable

Russian Purchase of Textiles

Sir, According to textile industry, Russians have intentions to purchase Rs 500 crores worth of textiles each year from us during the next 20 years. Certainly, it is a most ambitious deal which should be considered with all eventualities, looking to the experience of its deal signed by Soviet Union with Egypt in the early fifties for the purchases of their entire cotton for 20 years. The late President Nasser pledged the entire cotton crop to the Kremlin against the purchase of arms. The Soviets are already the largest buyers of Indian textiles, and they purchased almost half of India's textile exports in 1981 against rupees. But the difficulties which the Soviet economy is currently facing are bound to raise questions on the merits of expanding the national production pace to meet the workers demand from the Soviet Union which does all buying centrally.

According to Western media, for the first time, since 1945, the Soviet Union wants to pay off debts which have fallen due. They are selling their gold reserves by undercutting the world prices heavily in the free market of Switzerland and have asked the Japanese and West German banks for permission to extend this period to them by 3 to 6 months of an estimated 1.6 million US dollars. How far the West Germans and Japanese will accept the Russian request for rescheduling the debts is something. But since the Soviet Union is becoming a "bad credit" risk like its satellite Poland, must be watched and given consideration before we commit our 50 per cent of textile export to USSR, against which otherwise we can earn hard currency.

The giants of the textile world have erpressed fears including those of our own in Bombay and Ahmedabad that Russians will buy our textile by creating an unhealthy competition amongst the manufacturers and exporters of India and sell the same in hard currency to our traditional markets by undercutting it to boost their foreign exchange needs.

Nalini Sinha

New Delhi

Public Sector Losses

Sir, Rising prices and many other economic problems can be traced to violation of basic economic laws by the Government.

First, as a country we are living beyond our means. The Governments at the Centre and the States are spending moneys beyond the available savings by resorting to massive deficit financing. Moneys created beyond real requirements of the economy are leading to persistent rise in prices.

Second, nearly 40 per cent of national income is diverted by the Governments to their use. It is not being put to productive purposes. For instance, more and more scarce resources are being pumped into losing State enterprises. Central Government public sector incurred a loss of Rs 182 crores in 1980-81. News comes about Bihar that while 38 out of 44 State undertakings were incurring losses, Rs 20 crores were spent on the bungalows of chairmen-politicians and senior officials, and Rs 12 crores on foreign trips.

The public is taxed in three ways—direct taxes, indirect taxes and the cruel, invisible-tax of inflation to make good these losses and wasteful expenditure. Moreover, instead of increasing operational efficiency, the State enterprises increase prices of their products or services.

The public sector can be run on sound profitable lines by giving it autonomy, asking it to borrow from the market at commercial rates, and selling 49 per cent shares to employees and the public.

M.R. Pai

Bombay

eastern ECONOMIST

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This Week

April 14

A memorandum of understanding was signed between Maruti Udyog Ltd and Suzuki Motor Company Ltd of Japan for the manufacture of cars.

An Indo-Hungarian Programme of Scientific and Technical Cooperation for 1982-84 signed in New Delhi.

April 15

While US President Ronald Reagan told Moscow to "butt out" of the Falkland Islands dispute, British officials have reported that a fleet of Soviet spy ships was shadowing the Royal Navy's task force.

The Union Agriculture Minister, Rao Birendra Singh, announced in Lok Sabha that the procurement price of wheat for the 1982-83 marketing season would be Rs 142 a quintal—Rs 12 more than fixed for the last season.

Lok Dal President Charan Singh abandoned his 10-day old retirement from politics saying 'I have now decided to resume my duty to the country'.

April 16

The Indian rupee has become dearer by 5 paise against the pound sterling following its upvaluation by 0.30 per cent. With this revision, the 28th this year, its middle rate per pound appreciated to Rs 16.55 from Rs 16.60.

April 17

The Government raised the interest rate on non-convertible debentures to 15 per cent per annum from the present 13.5 per cent while retaining the existing 13.5 per cent interest for the issue of convertible debentures.

Rice procurement during the 1981-82 marketing season has totalled 8.6 million tonnes to far. This is 1.5 million tonnes more than that purchased during the corresponding period last year. The daily arrivals of rice averaged about 30,000 tonnes.

Prime Minister Indira Gandhi will visit the Soviet Union and the United States in summer this year.

April 18

The Lok Dal Chief Charan Singh, made peace with his suspended members, demolishing the "unified command" they had set up with the Janata Party and Congress(S) to fight the May 19 elections.

India and Saudi Arabia are to set up a joint commission to nurture their growing cooperation in economic and technical fields.

The Steel Ministry has constituted a new working group on iron and steel to formulate plans for the development of the industry up to the turn of the century.

April 19

India and Canada have entered into a four-year textile agreement which will enhance the Indian textiles and textile products' accessibility to the Canadian market by about 45 per cent.

The legislative assemblies of Haryana and Himachal Pradesh were dissolved as fresh elections have been ordered for May 19.

April 20

The pound sterling became dearer by 10 paise following the Reserve Bank devaluation of the rupee by 0.60 per cent. RBI has fixed the new middle rate at Rs 16.65 against the earlier Rs 16.55.

A high-powered committee headed by Director-General of Mines Safety, Mr S. Shankaran, has been set up to investigate the recent pilferages of explosives and detonators from coal mine magazines both in BCCL and ECL areas.

eastern
ECONOMIST

Food for Inflation

AFTER LIMITING inflation to 1.8 per cent in 1981-82, the Government must be tempted to rest on its laurels. No doubt the achievement is creditable, even if the effects were far less evident in consumer prices than wholesale rates. But Mr Pranab Mukherjee was quite right in saying last week that inflation remained a potential danger in a country where the supply-demand balance was so delicate and swung so wildly. As if to drive home the point, the Government increased the procurement price for wheat by Rs 12 per quintal the very same day. Since the budget assumes a freezing of the food subsidy, this must logically lead to a corresponding increase in the price of wheat at ration shops. Thus inflationary pressures have by no means exhausted themselves, and will return in full strength if the monsoon fails to behave itself this year.

The sharp rise in the price of oil and fertilisers is still taking its toll of the economy. The increased procurement price is directly related to this, and it is a mercy that the Government has resisted the farm lobby's demand for a much higher rate of Rs 150 per quintal (against the APC recommendation of Rs 142 per quintal). The price of wheat has risen now for the fifth year in succession. It was Rs 110 per quintal in 1977-78, rising in subsequent years to Rs 112.50, Rs 115, Rs 117, Rs 130 and now Rs 142 per quintal—a cumulative increase of just under 30 per cent. There has been a much sharper increase in the procurement rate for paddy, which has shot up from Rs 77 per quintal to Rs 115 per quintal in four years—a cumulative rise of nearly 50 per cent. And it is worth noting that while wheat has recently been in short supply, necessitating imports, there has been almost a perennial surplus of rice, which has become a big export item. If the support price of a surplus item has risen 50 per cent in four years, it shows how difficult is the task of curbing inflation.

The latest rise in wheat price signifies the final effects of the oil price hikes of 1979-81. It does not look as though the price of oil will rise in the foreseeable future, and it may conceivably fall. OPEC has by and large prevented the crude oil price from tumbling down, but the prices of petroleum products like diesel and kerosene have crashed by 30 per cent since the worst days of 1981. Since Indian prices have remained constant, there is now a considerable cushion available even if world prices become firmer. Thus imported inflation, which has played havoc with the economy since 1978, seems to have finally lost its sting.

At the same time domestic factors have improved too. T
successive years of increased industrial production and liber
lised imports have finally got rid of shortages almost ever
where. Indeed, many industries are complaining of che
imports, which can be accused of many things but certainly n
of fuelling inflation. Two successive normal monsoons ha
seen the country over the agricultural hump. Deficit financi
has been brought under control and a stern line taken on Sta
overdrafts. The attempted credit squeeze by the RBI, whi
failed persistently from 1979 to 1981, suddenly began to bite
hard in 1982 that the RBI was forced to retrace its steps
industry yelped. The credit squeeze again can be accused
many things but not of fuelling inflation.

Why, then, should there still be fears about inflation ? O
obvious reason is the fickleness of the monsoon. One drought a
we will be back to the square one. But there are other reaso
too. One is the latest trend in foreign exchange reserves. Th
reserves fell headlong in 1981-82, showing a depletion of almo
Rs 2000 crores net of IMF transactions. This had a contra
tionary effect on money supply (and credit). But in the mon
of March the reserves seem to have stabilised. One swallo
does not make a summer, and it would be unwise to conclu
that the balance of payments has taken a turn for the bette
But the fall in oil prices, the increase in domestic exportab
surpluses and greater absorption of foreign aid all point t
wards a better balance of payments. This will tend to expan
money supply. Many would welcome such a development-
the result will be more deposits and an easing of the cred
squeeze. But if there is some other untoward force—like a ba
monsoon—the increased liquidity will fuel inflation. A ba
monsoon will inevitably have a deleterious effect on hydel gen
ration, hitting industrial output as well. The recovery in ou
infrastructure is far from complete. Power generation is sti
poor by international norms, while the Railways are still plagu
ed by insufficient capacity arising from sick wagons. Improve
management has brought the improvement of both power an
rail transport, but the sad lesson of the past is that a few goo
years tend to be followed by an equal ration of bad ones. Ther
is no sign yet that we have graduated from stop-go growth to
new dynamism, either in agriculture or industry.

And this is why the danger of inflation is ever presen
Whenever things go wrong, there tends to be a vicious circle

which infrastructure, industry and Government finances chase one another into more and more trouble. There is no use blaming the monsoon for inflation. Prices were stable between the two world wars despite the erratic nature of the rains. If we have become embedded in inflation in the last two decades, we have to blame human management, not the rain gods.

Coal Perspectives

THE IMPRESSIVE increase in coal production in 1981-82, for the second year in succession, indeed, is a heartening development. Having remained practically stagnant around 100 million tonnes in 1975-76 and 1976-77, it improved to 101.95 million tonnes in 1977-78 and 103.69 million tonnes in 1979-80 to rise sharply to 113.96 million tonnes in 1980-81. Last year it scaled a new peak at 124.92 million tonnes. In both 1980-81 and 1981-82, the original yearly targets were surpassed by significant margins—by 2.96 million tonnes in the former and by 3.92 million tonnes in the latter. In fact, last year even the revised target of 124 million tonnes was excelled, fully substantiating the criticism by this journal that the original target of 121 million tonnes was a gross underestimate of the production potential of the industry.

Very significantly, the increase in production last year was wrested primarily through improvement in productivity : output per manshift rose by approximately 9.6 per cent—the order of increase in output—to 790 kgs from 710 kgs in 1980-81. Productivity went up particularly in the central, western and eastern mining areas of Coal India (CIL) and the Singareni collieries, though there was a significant improvement in the Bharat Coking Coal mines as well. The uptrend in output was assisted by the containment of infrastructure bottlenecks. Availability of power in the main coal belts was very much better. The movement of coal by railways too went up markedly. Total despatches to main consumers, served primarily by railways, at 118 million tonnes were 11.6 per cent higher over the previous year's despatches of 105.8 million tonnes. Demand for coal, thus, was satisfied to a much greater extent than in the past. Consequently, the increase in stocks at the pitheads has been only to the extent of about two million tonnes over the 17.49 million tonnes as on March 31, 1981.

All the major segments of the industry contributed to the increase in production. The CIL yielded 109.63 million tonnes—8.67 million tonnes more than in the previous year. Three of its subsidiaries, Bharat Coking Coal (BCCL), Central Coalfields (CCL) and Western Coalfields (WCL), raised their outputs to new peaks at over 22.5 million tonnes, 30 million tonnes and 31.5 million tonnes from 21.42 million tonnes, 27.47 million tonnes and 28.75 million tonnes in the previous year. The output of Eastern Coalfields (ECL) was around 24.5 million tonnes and that of the North-Eastern Coalfields (NEC) around 0.7 million tonnes. The Singareni Collieries improved its production to around 11.5 million tonnes from 10.10 million tonnes in the previous year.

The growth in the production of superior grades of coal, of course, left much to be desired, resulting in inadequate supply of metallurgical coal to steelworks after July right up to February. It remains to be seen how far the industry will be able to meet this year's requirements, estimated at 7.75 million tonnes of prime quality coal, 6.65 million tonnes of medium grade and about one million tonnes of blendable quality, which will restrict imports of prime quality coal to 1.2 million tonnes. The target of 133 million tonnes total coal output envisaged originally for the current year has been revised upwards to 135 million tonnes in view of the better-than-anticipated production last year. Special care needs to be taken to augment the supply of metallurgical coal. In terms of the 133 million tonnes target, the CIL was expected to raise its production to 116 million tonnes and the Singareni collaries to 13.5 million tonnes. The balance 3.5 million tonnes output was to accrue from the captive mines of TISCO and IISCO, approximating the production from here last year.

The increase in production this year is expected to result from some improvement in productivity and to a larger extent from the exploitation of the new potential created. The output per manshift, on an average, is envisaged to be raised to 790 kgs; while only marginal increase is likely in ECL, ECCL and NEC, productivity is CCL is expected to go up to 1.25 tonnes from 1.15 tonnes last year and in WCL and Singareni collieries from 940 kgs and 730 kgs to 970 kgs and 760 kgs respectively. An output of the order of the revised target should keep the availability of coal, except of the metallurgical quality, easy ; any excess demand will be met from the accumulated pithead stocks. But endeavours ought to be made to improve upon the revised target which by no means is an ambitious one, taking into account the substantial step up in the current year's Plan outlay of the CIL to Rs 760.08 crores from Rs 633.08 crores last year and of Singareni collieries to Rs 68 crores from Rs 39.68 crores. Lignite output too is targetted to be pushed up to 5.7 million tonnes this year from 5.5 million tonnes last year, 4.8 million tonnes in 1980-81 and just 2.9 million tonnes in 1979-80.

Improved production, coupled with the increase in coa prices effected in February, 1981, is expected to enable th CIL throw up profit of Rs 26 crores for the last year, as agains a loss of Rs 33.34 crores in the previous year. The mountin costs are stated to have brought down the profit from th original estimate of Rs 60 crores. On current prices, the los this year may amount to Rs 110 crores. It is against th backdrop that a further revision has been sought in coal price It should, however, be possible to contain this loss if pr ductivity is raised to a larger extent than anticipated. T performance of CCL is an indication of the substantial sco that still exists in this regard elsewhere, particularly in op cast mining.

Dry Thoughts

THERE are few people who overestimate themselves more than intellectuals do. They will earnestly tackle the problems of the world over a bottle of whisky and solve them by the fourth peg. Journalists will do even better, solving every problem within 400 words in daily editorials. Politicians are most often the object of their scorn, and quite rightly so. But the arrogance and superciliousness of journalists can put to shame the most arrogant and supercilious of politicians.

Consider what Mr Ian Jack of *The Sunday Times* wrote about Mrs Indira Gandhi's visit to London to open the Festival of India. During the visit, the Indian High Commission arranged for her to meet a group of intellectuals. Mr Jack was quick to pour scorn on this phraseology. He said the British regarded "intellectual" as an ugly and comic word. "No other people in the world hold the word 'intellectual' in such hilarious disrepute."

So far so good. But Mr Jack then went on to say, "When Mrs Gandhi moves graciously round the room at Claridge's Hotel on Wednesday, the leader of the world's largest democracy will taste the cream of British thought and letters; not bad going for a girl who herself flunked out of Sommerville College, Oxford, after only a year."

I have often had many harsh things to say about Mrs Gandhi. But I find Mr Jack's remarks quite deplorable. Mrs Gandhi has not got her present position as a result of a college degree. She has established her credentials in a far more taxing forum, the political arena of India. She has gone through tests far more rigorous than those ever devised by Oxford dons, and has come through with flying colours and broken records. In the process she has thoroughly exposed intellectuals who (like me) have persistently criticised her for doing the wrong things. She has proved time and again that she has a far better grasp of what the people of India want and will vote for than intellectuals do.

Mr Ian Jack's attempt to belittle her by referring to her flunking at Oxford only shows how shallow are his own perceptions of what is important. Mrs Gandhi has achieved as much or more in the political field as British intellectuals have in their own specialisations. But it would never have occurred to Mr Jack to say that the British intellectuals should consider themselves lucky to be rubbing shoulders with Mrs Gandhi, and that this was good going for eggheads who had never achieved one-millionth of what Mrs Gandhi had in the political field.

Neither Mr Jack nor other intellectuals are happy with the manner in which Mrs Gandhi has triumphed politically despite them. They try and explain it away by saying that she is a brilliant political manoeuvrer—a sly way of insinuating that she has nothing of substance to offer, only manoeuvres that dazzle a credulous public. This again is petulant nonsense. In terms of solid political substance, in terms of the highest statesmanship, Mrs Gandhi has proved herself head and shoulders above the intellectuals. We coolly take it as a commonplace that she is the most popular leader that the Muslims of India vote for. But is this commonplace? India is a country where Hindus and Muslims have been slaughtering each other for decades. Yet in the midst of this mayhem, we find that the person Muslims look to most is not another Muslim but a Hindu. I am not a historian, but I do not know of any previous case in history when two communities regularly killed each other but the most popular leader of the minority community was a member of the majority community.

It is the same story all over again when we consider the Harijans. There were more than 11,000 atrocities against Harijans last year—atrocity being defined as murder, rape, arson and violence. One just has to glance at the list of inhumanities perpetrated by upper castes on the Harijans to feel like throwing up. Yet who is the biggest leader of the Harijans today ? Is it another Harijan, like Mr Jagjivan Ram, who is always fulminating against the upper castes? No, it is Mrs Gandhi, who hails from the uppermost of all castes. Once again I am not aware of any previous instance in history where the most popular leader of an oppressed community turned out to be a member of the oppressing community. By gaining the confidence of Muslims and Harijans, Mrs Gandhi has done far more for national unity than all our intellectuals put together.

Having said this much, let me reiterate that I am no admirer of Mrs Gandhi's politics. I deplore her relentless pulling down of independent institutions, her tolerance and encouragement of corruption, her ruination of the party structure, her distrust of and antagonism towards dissent and criticism. But if the challenge of Mrs Gandhi is to be met by intellectuals, it will not be met by underestimating her very solid achievements or pretending that she is merely a dazzling manoeuvrer. She will go down in the history books as a most remarkable leader, no matter that there is an unsavoury side to her politics.

Swaminathan S. Aiyar

The Big Economic Cost of the Falklands

V. R. Bhatt

BRITAIN'S NAVAL strength today is reckoned to be second only to that of the two super powers, the USA and the USSR. On April 5, almost 50 per cent of the British surface naval forces backed by nuclear hunter-killer submarines steamed out from Britain and the Mediterranean on a 8,000 mile voyage to throw out the Argentine invaders of the Falkland islands, a British colony inhabited by just 1,800 persons of British descent...Never in peace time has such a formidable Armada set out and never before has so small a number of people been the causus belli between a medium world power and the biggest power of Latin America or caused such disproportionate political disarray and economic upset. Politically the Thatcher Government was brought to the brink of collapse by the resignation of the Foreign Secretary, Lord Carrington, whose reputation as a statesman is very high in the West, his Deputy and the Minister of State, and the economic trauma was made evident by massive falls in the share index and the value of the pound.

Fall in Shares

On the first trading day after the Armada set out, the share index was down 11.1 wiping £2 billion off company valuation and on April 7 it fell a further 15.3 knocking out another £3 billion. The pound plunged against the dollar and other European currencies. Temporarily its fall has been checked by the Bank of England. The loss of confidence in the Government was indicated by falls of as much as £3 in Government securities.

The Falkland islands episode is a textbook demonstration of how political blunders affect the economic climate, particularly when they lead to the humiliation of a proud nation. The background of what now is building up into an outbreak of war between Britain and Argentina, is a territorial dispute. The British occupied the uninhabited Falkland islands 150 years ago and some years later a small British settlement was established based on the rearing of sheep which up to day remains the chief source of livelihood of the 1800 inhabitants. The climate of the islands on the edge of the Antarctic is hostile but the settlers have survived and flourished and have come to love their environment. Argentina which is just 400 miles away (compared with 8000 miles to Britain) has from 1833 claimed the islands as part of its country. Periodically various Argentine Governments have threatened to "liberate" the islands by force but the islanders have fiercely stood by their British heritage and loyalty to the British connection. The rise of military juntas in Argentine and their record of oppression and systematic elimination of opposition has brought the islanders even closer to Britain—and the sense of British responsibility for them has grown greater.

Economic Strains

Where the political factor has created the economic strains is the misjudgement of the British Prime Minister, Mrs Thatcher, and the Foreign Secretary, Lord Carrington, of the preparation of Argentina to invade the Falkland islands. It has been established that American satellite intelligence spotted an Argentine fleet supposedly on manoeuvres, setting course for the islands. This information was passed on to the British Government. There was ample internal evidence in Buenos Aires of the Argentine Government's intention to take over the Falklands. The Argentine President General Galtieri, installed by the military junta in December 1981 faced a fast developing crisis situation internally from the virtual collapse of the economy. Inflation was running at between 140 to 150 per cent, unemployment was soaring apart from the growing opposition to the most repressive regime in South America which has so far executed without trial at least 20,000 Argentinians described as "disappeared persons". Galtieri reckoned that a successful invation of the Falklands would unite the nation and arouse so much patriotic emotion at the recovery of what every Argentinian calls "Malvinas" colonised and occupied by "imperialistic" Britain.

The British Government's misjudgement probably arose from the disbelief that Argentina—whose anti-communism makes it a "friend" of the right wing Thatcher Government and President Reagan—would invade and occupy the islands. Diplomatic negotiations had been in progress and the background of similar menacing situations defused at the last minute by Argentinian caution. Lord Carrington who took full responsibility for this wrong assessment was perhaps swayed by the impression that Argentina would not risk a war for the sake of largely barren islands and just 1,800 people. But the islands lie in a region of rich oil reserves, which have been estimated as richer than the North Sea potential. Moreover, the islands are strategically important in the present rivalry between Britain and Argentine in their claims to vast tracts of the Antarctic Continent also known to be rich in oil and other minerals.

Thatcher in Soup

Lord Carrington's resignation exposed Mrs Thatcher to fierce criticism from the opposition and within her own party. She was held equally guilty with Carrington and the Parliament and the country resounded with insistent calls fo her resignation. The media fuelled th British national pride at the humiliatio by a "tinpot" dictatorship invading British territory. Politically the Securit Council resolution calling on Argentin to withdraw from the islands and wid support from Australia, New Zealand Canada and members of the Commo Market, particularly France and We Germany encouraged Mrs Thatcher t try to retrieve her credibility by wieldi the big stick of naval power to fright Argentina and force it to withdraw. T British Armada, led by the aircr carriers Invincible and Hermes, the sault ship Fearless with landing cra the containership Elk carrying tanks, and forty other destroyers, frigates, oil tankers and the luxury liner Canberra carrying a contingent of marines (more than were sent to Suez in the attack on Egypt in 1955) began to steam towards the Falklands. As the Armada would take about three weeks to reach, the British Defence Secretary, Mr Nott, imposed a 200-mile war zone round the Falklands from April 12 patrolled by nuclear submarines with order to sink any Argentinian ships which enters the zone. All these launchings and preparations received maximum media and television coverage to impress Argentina as much as the British people. The objective was to convince the Argentine junta that they would not be able to stand up against this force and persuade them to negotiate. Intense efforts by President Reagan through Secretary of State Haig are continuing.

The junta shows no sign of agreeing to withdraw and has established its own war zones round Falklands. The British believe that when their Armada reaches the islands, a successful blookade could be enforced to starve out the four to five thousand Argentine troops on the islands. But a peaceful outcome is not a certainty and a war in which ships are sunk and hundreds or thousands of casualties occur cannot be counted out as the Argentinian navy though not as powerful as the British forces is well equipped with modern arms mainly of British manufactured missiles, anti-submarine devices etc.

The economic cost in any case will be considerable. The Argentinian cost so far has been estimated at 500 million dollars and this is only the beginning. Argentina has an external debt of 32 billion dollars and among the sanctions imposed by Britain and friends are freezing Argentinian assets and banks refusing further loans. Trade sanctions against Argentinian exports have also been imposed.

The British also face a heavy bill. Even if the Armada just reaches Falklands and enforces a blockade, the cost will mount to millions. It is estimated already that 200 million dollars is the bill for launching the force. Outbreak of a war would involve several times this amount in the cost of ammunition and the cost of damaged or sunken ships—apart from casualties.

It is the uncertainties caused by these considerations that is affecting the British share prices and the value of the pound. The biggest worry of the business and industrial sectors is whether Mrs Thatcher and her Government can survive. Her firm monetarist policies had appeared to be coming right with a fall in inflation and interest rates and increase in productivity and company profits—though unemployment is still rising. A change in Government would lead to a drastic change in policy.

The city sees many adverse developments as it is. The fall in the value in the pound is expected to put interest rates on an upward swing and increase costs of production and essential imports as well as hit the 50 per cent plus of the population who own houses on mortgages. The Treasury Secretary has warned that costs of the naval operation would be recovered through indirect taxes which would further fuel inflation.

For the USA, any instability caused in Argentina by the fall of the junta for President Reagan would be the signal for strengthening the left wing opposition in that country, a development favourable to the Soviet Union and Cuba. All in all, the innocent 1800 victims of Argentinian aggression may cause political upheavals and economic strains disproportionate to the problem.

OPEC's Struggle with Oil Glut

Sudhir Sen

THE AWESOME OPEC is now engaged in an epic struggle with an oil glut that shows no sign of abating. This turn in the cartel's fortune has been greeted with feelings ranging from a sigh of relief and subdued joy to gleeful jubilation and downright Schadenfreude. It has also set in motion fresh speculation about the future oil price, its possible impact on the world economy, about the future of OPEC itself. And once again, restless prophets have rushed to the forefront to spread the great news about its impending demise. The excitement was heightened as the oil ministers were about to assemble for an emergency session in Vienna (19-20 March) to grapple with the glut and to prop up the slipping price.

All this was well reflected at a meeting of the Energy Forum, the first in a series and held just a day prior to the OPEC's emergency session. The Forum, which is organized by the Graduate School of the City University of New York, chose a most timely subject for the occasion: "The Global Oil Price: Will OPEC Survive ?" The guest speaker was Dr William M. Brown, Director of Energy and Technology Studies at the Hudson Institute. He was followed as discussion leader by Dr Dankwart A. Rustow,* distinguished Professor at the NYCU's Graduate School.

The three-hour-long discussion ranged far and wide covering a host of topics and was animated by some lively exchanges in the question-and-answer period. Dr Brown who presented his case with a wealth of data about the supply-demand trends for oil along with contingent projections for the future, took a rather gloomy view about the behaviour of OPEC and the outlook for oil price stability, implying that the world was likely to see more of the same erratic pattern as in the recent past.

In his view, it was an "illusion" to treat OPEC as a cartel. It had never been and would probably never be, a cartel, he emphatically asserted. Cartels, he argued, were not easy to form and to maintain. To be truly effective, they must allocate supplies, enforce pre-determined price levels, keep a sharp eye on supply and demand continually balancing the two, and to perform these functions they must have a proper organization staffed with the right kind of experts. All this was a

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*Dr Rustow's latest book titled *Oil and Turmoil* is due to be published next June by W.W. Norton, New York.

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far cry from OPEC which was too loosely organized, and consisted not of expert managers, but of Governments—a congeries of "kingdoms and sheikhdoms" that could not discipline its own members and therefore could not keep supply and prices in line.

For the short term Dr Brown predicted further declines in crude prices. There was excess capacity, demand was falling—economic recovery would no doubt help raise demand, but not enough. People had learnt how to do with less, and their energy-saving habits would continue even in the face of declining prices. Moreover, there was a great deal of drilling for new supplies; the effects of this ongoing drilling boom would be felt with lags of five to six years. This meant more capacity would come on stream with more production at a time of softening demand, and this spelled declining prices.

Excessive Dependence

As for the long term, Dr Brown warned that once again there was the danger of excessive dependence on oil "unless you are careful." Exploration costs and therefore costs of production from new sources would be rising. Projects for developing alternative sources of energy—coal, synthetic fuel, nuclear energy, and the rest—which would be viable substitutes with crude selling at $40 a barrel, would not be so if the price dropped to, say, $20 a barrel. Meanwhile, stabilization of energy prices remained a sine qua non for orderly economic progress. Energy price volatility was a major disruptive factor as recent experience had shown. And he reminded that oil as a commodity in international trade outweighed in value all other commodities put together.

He therefore made a plea to adopt a long-range policy to hold oil price stable around, say, $30 a barrel. And the device he recommended to achieve this goal was for the industrial nations, i.e. OECD members, to get together and jointly adopt a sliding-scale tariff which would move up and down by the required number of dollars to neutralize movements in the price of the benchmark crude. Such a policy would facilitate planned development of new energy sources along with steady economic growth.

However, Dr Brown was candid. The sliding tariff, though eminently desirable in his view, was not likely to be adopted. He did not have much confidence in the Government's capacity "to do the right thing at the right time."

Serious Crisis

Dr Rustow agreed, in general, with this analysis. He did not want to "quibble" as to whether OPEC was a cartel or not. It functioned well when the oil prices were rising, and it remained to be seen how it would fare now that the prices were in a downtrend. It was faced with a serious crisis, the most important short-term factor being the drawdown of inventories. OPEC's output was down by more than one-third—from a peak of 32 million barrels a day, and its income had fallen below the 1978 level with several members facing balance-of-payments and budgetary problems.

There was a major short-term imbalance between supply and demand. The Saudis had kept up the production and had thereby grabbed a larger share of a "shrinking pie." That is why the Saudi position remained so important. Iran was another imponderable. Its production was way down—from a peak of 6 million barrels a day in the Shah's days to one million barrels or less; and its petrodollar reserves were depleted, creating a desperate need to raise production and enlarge the oil revenues.

Dr Rustow agreed that the economy could not afford a roller-coaster market in oil. There was a consensus on this point, though no one felt sure that it could be avoided even as the participants bravely tried to pierce into a future shrouded in uncertainty.

In a talk with Dr Brown I tried to get his personal reactions to four points that seemed to me particularly germane. First, the volatile behaviour of oil price in recent years, I suggested, was due not only to OPEC, but to a large extent to the energy policy, or non-policy, of the US Government. If oil prices had been decontrolled earlier, higher prices would have curbed consumption, spurred domestic production, and kept down the imports: this would have kept OPEC in check while helping the balance of payments and the dollar. President Carter's decision to phase out control spread over 30 months, I further suggested, was particularly unfortunate as it gave the domestic producers an incentive to hoard their underground crude and OPEC an excellent opportunity to push up prices. By contrast, President Reagan's decision to hasten decontrol by nine months was a wise move, and it directly helped create the present glut. Dr Brown readily agreed, presumably helped by his ideological tilt towards a free market.

Second, there had been much talk about decontrolling natural gas. Mr Reagan had made a definite promise to that effect during his campaign. Yet, it had been pushed off the agenda, at least for the present. We agreed that this was dictated not by energy economics, but by election politics, which was unfortunate. However, it might well be put back on the agenda after the November election.

Speeding up Exploration

My third question related to the proposal to create an energy facility funded with $25 billion under the auspices of the World Bank, to accelerate exploration activities in the Third World where drilling for oil had so far been minimal except the Middle East, and vast areas still remained untouched. Dr Brown was all in favour of a speed-up in exploration in Latin America, and Asia, but he was opposed to creating an energy facility under the World Bank. Private enterprise, he said, could do a better and more efficient job and it could also extract more equitable, incentive-oriented deals from the Third World Governments which only too often were excessively nationalistic in their approach. This is, of course, the official line of the Reagan administration. What it overlooks is the fact that private enterprise is not always enterprising and may be excessively concerned with its own interests, while the World Bank may be better placed to arrange equitable deals protecting the interests of all the parties concerned.

Finally, I raised the question of the skyhigh interest rates—how they had lately become even more volatile—and disruptive—than energy costs and were badly hurting economic growth, how they had, in effect, largely neutralized the benefit of the declining oil price. In fact, interest rates, I argued, had an even more pervasive effect on both growth and inflation than the oil price. Moreover, the problem here was caused not by some extraneous body, but entirely by the domestic monetary policy, so that the remedy, too, lay in the hands of the domestic policymakers. Incidentally, the high interest rates were a major factor in forcing the liquidation of oil inventories since at present rates it costs about $6 to carry a barrel of oil for a year. Dr Brown agreed that the interest rate question had become very important, but found it even more complicated than the energy issue, and had no idea how it could be tackled.

During the discussion I made two other points, mainly to dispel some misapprehension about the Saudis' role and their primary goal. They are by far the largest producer of crude within OPEC, so much so that one might say that, to all intents and purposes, "Saudi Arabia is OPEC and OPEC is Saudi Arabia". And since it could, and actually did, determine the overall level of supply, one might further say that, after all, OPEC is a cartel, maybe not 100 per cent but, say, 75 per cent.

The Motive

Besides, the motive behind the glut created by the Saudis in the last fifteen months with a daily output running for some time as high as 10.5 million barrels a day, was probably not just a desire to maximize their oil revenues at the expense of the other OPEC members. Presumably, there was a genuine concern to put a cap on the oil price at a level that would effectively discourage the development of alternative energy sources, especially coal and synthetic fuels, that could threaten their future markets. Profit maximization? Yes, but not short-sightedly only for the short run, but also for decades to come. In view of the vast reserves at their disposal what could be more natural for them than to protect their future markets by every possible means? These comments seemed to have been well taken.

The emergency session of OPEC is over. The decisions it took in Vienna show that it is, after all, more of a cartel, and has more teeth, than was generally assumed. Contrary to the wishful predictions that had circulated for some time, it did hammer out an agreement to cut back production and to uphold the base price it had fixed late last year.

The output would be trimmed by 750,000 barrels to 17.5 million barrels a day; the Saudis would bear the brunt of the cut—500,000 barrels, the others together would account for the rest. The Saudi concession may look small, but at 7 million barrels it represents a very substantial drop, of fully one-third, from last year's peak level of 1.05 million barrels a day.

Will the lower supply be low enough to cure the glut and to halt further price slippage? At the moment experts are rather pessimistic on this point. They believe that either the cut has to be more severe or the price significantly lower.

Blistering Attack

In the past, the Saudi-dominated OPEC has often been underrated, a tendency which is too ingrained to eradicate. At a press conference held after the Vienna meeting, Sheik Ahmed Zaki Yamani, the astute Oil Minister of Saudi Arabia, launched a blistering attack on the big oil companies. He accused them of a "conspiracy" to put pressure on prices by unloading oil from their inventories; and charged that they dumped about 4 million barrels a day—some OPEC members put the figure even higher, at 5 to 6 million barrels, whereas according to the seasonal norm, the inventory drawdown should have been only about 1.5 million barrels. The industry, as was to be expected, vehemently denied the charge and assessed the drawdown at 2.5 million barrels a day.

Oil inventory estimates are always hazardous, and only hindsight can yield reasonably accurate figures. This means that the actual position will not be known until early summer. One thing is, however, certain: The continuation of horrendously high interest rates and t deepening recession have combined spur inventory liquidation at a rate f above the anticipated norm.

Meanwhile, to judge from the late press reports, the Saudis have just u sheathed the Arab sword to defend t oil price. The kingdom, they ha threatened, would cancel its contrac with companies that fail to buy adequa quantities of oil from Nigeria. Th puts direct pressure on Mobil which a member of the four-company grou (Aramco) that lifts the bulk of Sau oil, and, to some extent, also on Roy Dutch/Shell and a few other companie

Saudi Threat

The Saudi threat, it seems, will be rei forced by other OPEC members, necessary. Already, the Kuwaiti O Minister, Sheik Ali Khalifa al-Saba has leaped into the fray, announcin that OPEC would respond "in an u precedentedly ferocious method" companies trying to "engineer an art ficial drop in demand for an OPEC men ber's production". This sounds unusuall tough even after making due allowanc for the usual Arab hyperbole.

Thus, Nigeria has become the firs test for OPEC's latest pricing agreemen A nation of 100 million people, it need large oil revenues to meet its runnin requirements. But since OPEC's Marc 19 meeting, oil companies hav slashed their purchases of Nigerian crud from 1.1 million barrels a day to abou 650,000 barrels. They have, of cours a very good reason to do so. As part c the Vienna agreement, Nigeria lowere its price only $1 a barrel, far less tha what they had hoped. This left th Nigerian price at $35.50 a barrel, or dollars more than what the British wer charging for the same quality of oil.

Anyhow, the battle is now joined, an the coming weeks will show if OPEC ha enough clout to protect its most vulner able member and to prevent further cu in the price it charges. Significantl enough, Saudi Arabia is also reported t be extending a $1-billion loan to help tide over its present financial predica ment. More loans may follow from th Saudis, maybe also from the Kuwaiti d other cash-rich OPEC members. All is underscores the seriousness of the udi intent to defend both OPEC and latest pricing agreement.

Apparently, Sheik Yamani is biding s time. Once the inventory liquidation over and its rebuilding gets under way, emand should pick up, which will ceive a further boost if the economy egins to recover, as expected, some me this year. This is no doubt what Ir Yamani is banking on; and if this lculation proves right, the glut should isappear within a few months along ith the softness in demand. Nor hould one rule out further cuts in Saudi production should the recession and the sagging demand continue to drag on.

It may be presumed that Sheik Yamani, like a great many other people, did not expect interest rates to remain so high for so long and the economy to slide into a recession so deep and so fast. One may further presume that, but for this, he would not have allowed the market to be glutted with so much oil for so long. Now that the unexpected has happened, it seems he is retracing his steps and is doing his utmost to protect OPEC and maintain price stability which he has always declared as his primary goal.

The latest episodes underscore another point: OPEC has a deceptive appearance. Despite its fragile look, it is held together by what is the strongest glue, the glue of common interest. Its long-term future, despite periodic ups and downs, should be secure for another reason: Though frequently blackballed, it owns in abundance a universally coveted treasure; the *black gold*, that is, OIL, a non-renewable resource—the most desirable form of energy and a highly prized raw material—which is destined to grow, and not diminish, in value with the passage of time.

हर कारीगर व राज की पसन्द
शक्ति में सर्वोत्तम
चेतक
ब्रान्ड
सीमेन्ट
बिरला सीमेन्ट वर्क्स
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प्रो. बिरला जूट मैन्यू. कं.लि. कलकत्ता-१

Economic Analysis

How to Check Inflation Without Affecting Growth

L. K. Jha

HALF A century ago the world economy was in the grip of the great depression. Unemployment was rising. Idle capacity in industry was widespread. No new investment was taking place.

Lord Keynes showed the way out of this mess. Relying on the policies he prescribed, industrialised countries confidently committed themselves after World War II, to the pursuit of full employment and began competing with one another in achieving higher rates of growth.

But a little over a decade ago, the climate of opinion in developed countries changed radically. Intractable inflation, not recession, became the cause of deepening anxiety. After trying various remedies to check inflation, they seem settling down to the view that the only way to counter inflation is to slow down growth and let unemployment levels rise; only then can wages be held down, costs controlled, and prices stabilised. Recent publication of the Organisation for Economic Cooperation and Development, to which most developed countries belong, has after analysing the available evidence asserted "a rise in unemployment does, in fact, tend to be followed by a fall in inflation.".

Not all countries of course are prepared to opt for unemployment, rather than inflation, as the lesser evil. The policies pursued depend upon the prevailing conditions in each country and also on the orientation of the political party in power.

In Britain and the USA, deflationary policies are leading to very high levels of unemployment, but the Governments are not daunted by the protests of job-seekers in their determination to restore price stability. West Germany and Switzerland cheerfully reduced employment levels in the interest of price stability, as they had a substantial proportion of foreigners in their labour force, who could be retrenched and sent home. Japan and, even more, Brazil are examples of countries, which decided to live with inflation rather than slacken growth.

In Indian conditions if indeed a choice had to be made, I for one would opt for higher growth and more employment, even if it means putting up with rising prices. While preventing inflation preserves the purchasing power of those who have an income, new jobs provide income to those who have no income at all. For the sake of justice, I feel, we should have greater concern for the have-nots than for the haves, even though the latter are better organised to voice their grievances in press and Parliament, through trade unions and protest marches.

Even more important is another consideration. Developed countries can live with no growth and mounting unemployment, because even without growth their income levels are pretty high, and the unemployed are taken care of through measures of social welfare. In India, absence of growth can itself lead to inflation. Unless we achieve a rate of growth, which is at least as high as the rate of increase in population, demand would outstrip supply, and prices would tend to rise. To ensure prices stability, we must give special importance to raising the levels of production and maintaining a good rate of growth.

But a note of caution has to be struck. While growth itself increases supply and, therefore, has an anti-inflationary impact, the investment needed to step up growth increases demand and tends to raise prices. The time lag between investment and production is a potential cause of inflation.

If consumption demand can be reduced while investment demand goes up, if, in other words, savings in the community can be raised to keep pace with the investment, we can have growth with stable prices. It does not matter whether the cut in consumption is voluntary, because people are tempted to save more, or compulsory, through higher taxation. The basic point is that we cannot invest more unless we save more. If the pace of investments is forced without a corresponding increase in savings, the resultant price rise imposes a compulsory cut in the cousumption, just like taxation does. Only while the tax burden can be spread over the community with some sense of fairness, the sacrifice imposed by inflation is indiscriminate and inequitable, the fixed income groups being the worst hit.

But, let us not imagine that raising investment levels too high is the sole cause of inflation. Inflationary pressures can be generated by factors not linked with growth at all. Increases in non-development expenditure of Government, such as on defence, or on law and order, or on welfare measures, can also push up prices. Likewise, a rise in private consumption, if financed by bank credits, or a reduction in savings, can also have similar effect.

Then again, some non-monetary factors can lead to a price rise. An increase in the cost of basic inputs has a general price raising effect. The increase in the price of oil pushed up costs in oil importing countries by making fuel and transport more expensive. Wage increases not matched by higher productivity can also generate inflationary pressures.

And once prices begin to rise, psychological factors come into play and aggravate the trend. In expectation of a price rise, producers and dealers with-hold supplies. They borrow from banks to build up inventories. Consumers step up their purchases to acquire goods for future consumption before prices go higher.

To break this spiral, developed countries tighten fiscal and monetary policies, even if they slows down growth, create unemployment and set in recessionary trends. They expect that as money supply contracts, demand would shrink, with the threat of unemployment, workers would not go on strike to ask for higher wages, and as people talk more of recession and less of inflation, their pyschology would change.

In India, I feel, we cannot afford to adopt such an approach. Instead, we must evolve a strategy to check inflation without stopping growth. To do so, we must take full advantage of our freedom from one constraint, which many Western countries impose on themselves. Many of them refuse to interfere in the freeplay of market forces in the economy, to influence its performance. All that they can do is either to press the accelerator or to jam the brakes. They refuse to touch the steering wheel. But we do exercise priority judgements of a kind which, if we are wise, can get us out of the stop-go dilemma.

If inflation is due to an excess deficit financing, we can focus not just on the quantity of deficit financing but its qualitative content as well. The necessary cuts should preferably fall on non-productive expenditure, not on investments. If investments have to be curtailed, a careful selection should be made of the areas in which outlays would be reduced and those in which they might even be expanded.

Since the time-lag between investment and production is one of the prime reasons why investment has an inflationary impact, it is projects with a long gestation period, which should be slowed down. Quick-yielding project could well be speeded up. What is most harmful is an attempt to let everything proceed but to slow down the progress of each, in order to curtail the volume of deficit financing.

Another criterion to use in making selective cuts in investment would be to leave untouched those investments which are needed to augment the supply of those key products whose shortage is a potent cause of inflation. If the output of the basic necessities of life—the things on which wage-earners and lower income-groups spend their income—suffers a set-back, the price of wage goods goes up. Dearness allowances have to be given, which widen the budgetary deficit. Higher monetary wages raise costs and prices allround. A surplus of wage goods, I have argued time and again, is one of the best bulwarks against inflation.

The infrastructure has a similar importance. The shortage of power and transport leads to a fall in production both in industry and agriculture, which again raises prices all round. There can be nothing more counter-productive than a cut-back in investment in these areas, in the effort to curb inflation.

In the matter of bank credit too, somewhat similar priorities have to be observed. Fortunately, in india, though credit cards have made their appearance, by and large, bank credit does not finance consumption but production. Its key role is to provide working capital to industry. Now, working capital has shortest time-lag between investment and output. Any genuine shortage of it would hurt production and a fall in production would raise prices. The working capital needs of industry must be met fully. If cuts have, out of dire necessity, to be imposed, they should not affect the priority sectors which I have tried to define.

The real case for curtailing bank credit is to prevent its use for building up inventories in anticipation of a price rise. Credit policy should certainly penalise hoarding, whether by producer or trader. But care should be taken to distinguish between the requirements of additional credit to hold larger inventories and requirements of additional credit due to a rise in the prices of normal inventories.

So much by way of fiscal and monetary measures to check inflation. But in India, non-monetary factors often play a much bigger role in starting an inflationary spiral. Many of our inflationary bouts have been triggered by a failure of monsoons. A shortage of foodgrains pushes up their prices. The consequent clamour for more dearness allowance cannot be resisted. The increase in dearness allowances raises costs all round. It also increases the budgetary deficit. Additionally, relief operations to provide assistance to drought-stricken areas entail out-lays not provided for in the budget. By the time the financial year comes to a close, an unforeseen expansion of the budgetary deficit takes place. This enables monetarists to blame deficit financing for the price rise, while the truth is that the price rise led to increased deficit financing.

To rely on monetary measures to check the spurt in prices caused by shortage would be to bark up the wrong tree. A physical shortage of vital products, such as foodgrains or vegetable oils or sugar, has to be met by imports. Because developed countries are always in a position to meet such shortage by larger imports their economic literature has not devoted much attention to this contingency. For us, shortage of foreign exchange may create difficulties in the way of higher imports. While this is so, what amazes me is that often there are protests against the import of products like foodgrains or sugar, as if it is sinful to do so. An atmosphere is created in which orders for imports are delayed, and the price we pay for them eventually is much higher in consequence.

If for any reason, imports to meet the shortages of products of great importance to lower income groups are not possible, some kind of rationing can be introduced to ensure that they get some limited supplies at a fair price. The rest should be released for free sale. Higher prices would attract additional investments to relieve the shortages. If there are excessive profits, the exchequer could collar some of them through higher excises. The worst possible answer to a situation of shortage is to impose price controls without effective arrangements for their distribution. They usually remain ineffective and, what is worse, generate black money, which in turn pushes up other prices.

Finally, we must be realistic enough to recognise that total stability of prices is impossible. Higher prices for key imports, such as oil or machinery, must affect domestic prices as well. Similarly, if on considerations of social justice we allow wage increases, the price level would be affected. On the whole, if there is no sudden spurt in prices the community can find ways to cope with it. But when a shock-wave makes prices soar, assistance to the worst-hit has to be provided. To deny it on the consideration that such relief expands money supply is to make the victims of inflation bear the cost of curbing it.

Let me now conclude. I have examined various possibilities of checking inflation without stopping growth. These are not to be looked upon as a medicine-chest out of which, depending on the nature of the ailment, a particular remedy can be pulled out and dispensed. My basic theme is that a well-managed economy can sustain a good rate of growth with a reasonable measure of price stability. Good management depends not on a dogmatic approach to the problem of inflation, but on evolving the right response to each emerging challenge. Inflation is but a symptom. We must diagnose the true nature of the ailment in order to prescribe the right remedies for it.

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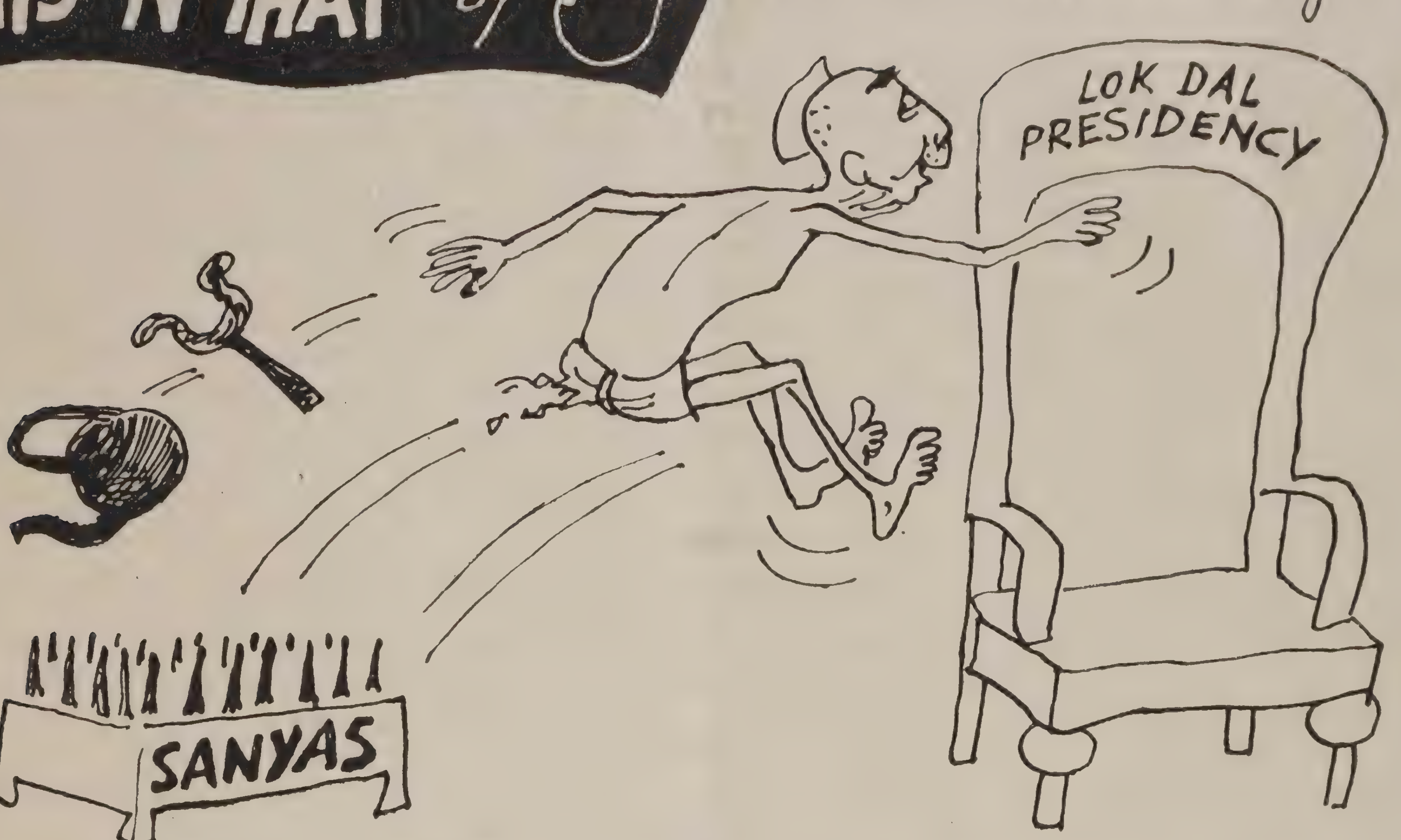
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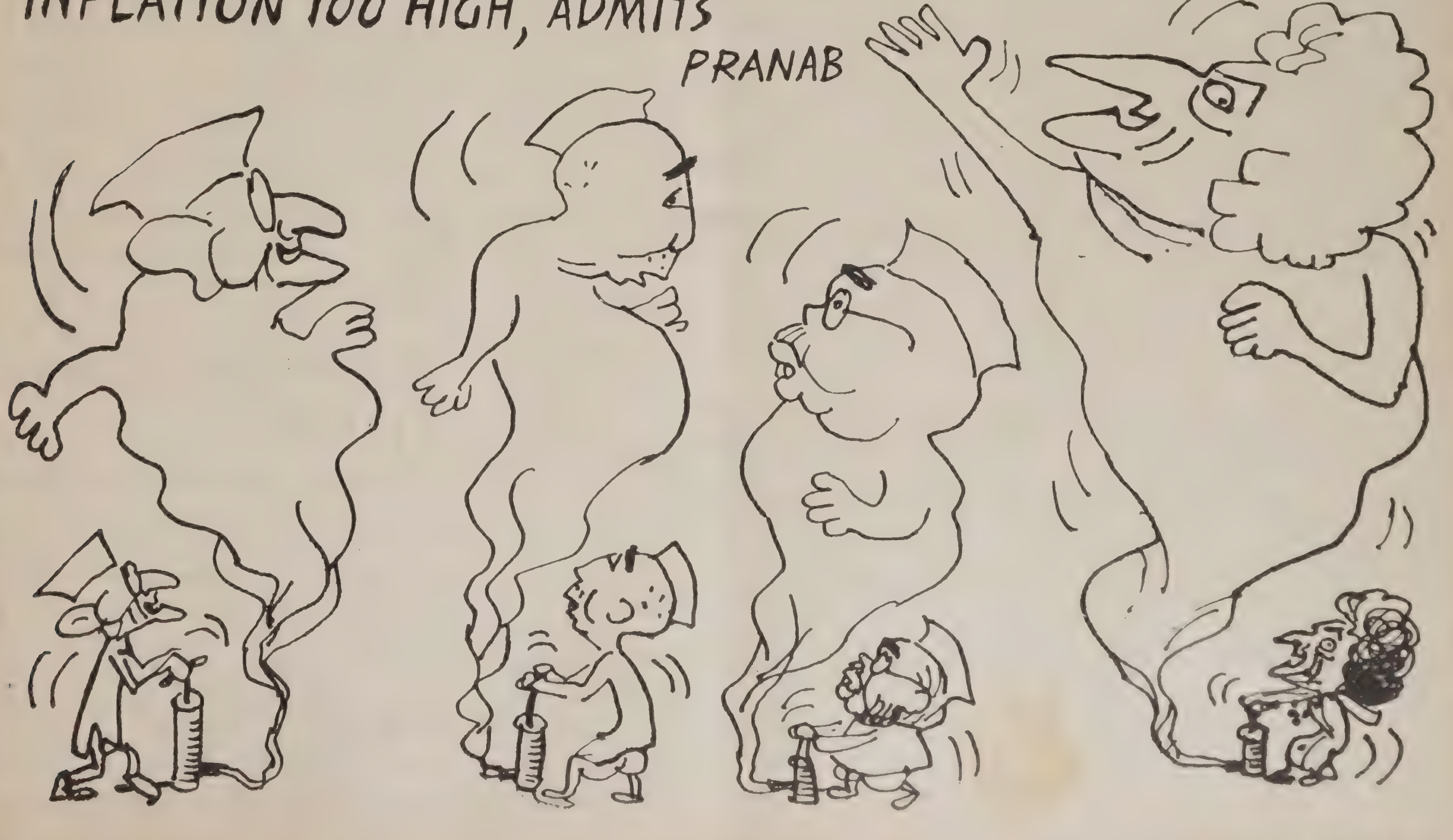
INFLATION TOO HIGH, ADMITS PRANAB

In the Nation

HMT : Creditable Performance

THE MANAGEMENT of Hindustan Machine Tools can legitimately feel gratified over its performance during 1981-82. This public sector undertaking was able to raise its production last year to Rs 270.47 crores—an increase of 40 per cent over the previous year. Sales went up by 42 per cent to Rs 272.48 crores, reflecting the general improvement in the economy. Profit, after providing for depreciation and interest, is estimated to have shot up to Rs 35 crores from Rs 20.36 crores. The return on capital employed increased to 27 per cent from 19 per cent. Turnover has increased well in physical terms, though inflation too has helped to some extent. The production of watches, for instance, improved to four million units from 2.5 million units and of tractors to 11,000 units from 8,501 units.

Significantly enough, all the ten manufacturing units of the undertaking at Bangalore, Pinjore, Kalamassery, Hyderabad, Ajmer, Aurangabad, Srinagar and Tumkur and each of its product divisions, namely, machine tools, watches, tractors, die casting machines, printing, machinery, presses, horological machines, dairy machinery, lamps and bearings, individually showed profits. The machine tools sector recorded a profit of Rs 12 crores on a turnover of Rs 96.69 crores. Watch manufacture yielded a profit of Rs 19 crores on a turnover of Rs 94.21 crores. The profit from tractor manufacture approximated Rs 2.7 crores. A 24 per cent increase is estimated to have accrued in the value addition per employee to Rs 47,000 from Rs 38,060.

Exports too registered sizeable increase and yielded 30 per cent more foreign exchange at Rs 15.68 crores. A large order for 752 machines, valued at Rs 17.4 crores, boosted the total export orders to Rs 28.28 crores. Watches worth Rs 2.48 crores were exported to Hong Kong, Dubai and a couple of other countries. The HMT exports its products and services to over 70 countries the world over. It has as well embarked upon undertaking turnkey projects abroad and is executing currently two such projects in Africa—a Rs 70 crores machine tool complex in Nigeria and a Rs 12 crores project for the manufacture of water and gas metres in Algeria. A contract worth Rs 6.19 crores has been received for setting up a tool-room-cum-training centre in Indonesia. Service contracts for the preparation of feasibility or project reports have been signed with Tanzania, Iraq, Papua New Guinea, Bangladesh and the Caribbean islands.

The HMT, of course, is not going to rest on its oars: it has plans to double its production to over Rs 500 crores in 1985—that of machine tools by 76 per cent to Rs 170 crores from Rs 69.69 crores, of watches by 70 per cent to Rs 160 crores over Rs 94.21 crores, of tractors by 113 per cent to Rs 125 crores from Rs 58.71 crores, of lamps and lamp-making machinery by 160 per cent to Rs 35 crores from Rs 13.48 crores and of bearings by over 100 per cent to Rs 15 crores from Rs 7.38 crores. On a rough reckoning, it is expected that the total production of HMT during the 1980s, at constant prices, will aggregate to Rs 4,000 crores as against Rs 800 crores in the 1970s and Rs 500 crores since inception to the end of the 1960s.

The R&D programme of the undertaking, which entails currently an expenditure of two per cent of the turnover, has progressed well. Prototypes of 13 highly sophisticated machines, including computerised numerically controlled machines (which represent an important milestone in indigenous machine tool designing) were exhibited at the Indian Machine Tool Exhibition in Bombay recently. Sixtytwo per cent of the machine tools manufactured by the HMT currently are of its own design. The percentage is expected to go up to 75 in the next three years. The agricultural machinery group has developed a 35 HP rice special and sugarcane special models of HMT tractors, besides variants like hauler, trakmotor and front-loader. New products under development include a 45 HP tractor, hydrodozer, mobile crane, forklift etc. A fuel efficient engine is being developed to achieve 10 per cent saving in fuel consumption of tractors. Sodium vapour lamps, metal halide lamps and a few special-purpose lamps are to be introduced in the next two years. Electronic quartz digital watch is being introduced this year. The undertaking's electronic analog watches produced last year have been well received by the market.

In line with its philosophy of concentrating more and more on the manufacture of sophisticated machine tools, the HMT is off-loading to medium-scale producers lower-technology products. Several such products have been already divested to units in the cooperative/joint sectors in the States of Karnataka, Kerala, Gujarat and Tamilnadu. A dairy machinery unit is being set up with East German collaboration at Aurangabad which will produce heat exchangers (also utilisable by chemical industries). The manufacture of two-colour sheet bed printing machines is being taken up in Kerala. The other diversification programmes include production of special-purpose machine tools.

Hindustan Copper's Travails

NOTWITHSTANDING STEADY build-up of production in the recent years, the profitability of Hindustan Copper, a Government of India undertaking, has registered marked deterioration. The output of blister copper went up from 21,888 tonnes in 1978-79 to 27,430 tonnes in 1981-82 and that of cathodes from 18,628 tonnes to 24,730 tonnes. The production of wire bars improved from

13,264 tonnes to 15,752 tonnes, the peak level being achieved in 1980-81 at 16,785 tonnes. The loss, after providing for tax, depreciation, amortisation and interest charges, last year aggregated to Rs 36.47 crores, as against 10.85 crores in the previous year and Rs 4.81 crores in 1978-79. There was a profit of Rs 4.34 crores in 1979-80.

The primary reasons for the increasing loss are stated to be mounting production expenses and declining sale prices. Production costs last year alone went up by Rs 2.8 crores on account of fuel (following increase in power tariffs from 22 paise to 36 paise a unit at the Khetri project and from 36 paise to 49 paise in Bihar), rupees six crores owing to rise in the cost of living index, Rs 1.85 crores on account of stores and inventories and Rs 5.2 crores due to imports of concentrates necessitated by the serious power shortages, particularly in Rajasthan. The average sale price of copper wire bar, which had improved in 1979-80 to Rs 33,538 per tonne from Rs 25,313 in the previous year and had gone up to Rs 34,733 in 1980-81, fell to 31,967 last year.

To mitigate its travails, a plea had been made by the undertaking for a revision in the copper pricing formula under which it is required to sell its products at the price fixed by the Minerals and Metals Trading Corporation (MMTC) on the basis of the price of imported material, which is governed by the London Metal Exchange. The latest price of copper wire bar at about Rs 30,000 per tonne is lower by as much as Rs 7,000 from April 1980 level. The undertaking has suggested that it should be allowed to put up its prices. As the MMTC too will have to raise its price in case Hindustan Copper's plea is accepted, it has been recommended the extra profits of the MMTC should be utilised for the modernisation and expansion of the industry.

Besides cost-push inflation, the other major factors responsible for the high production costs of Hindustan Copper are the inferior quality of ore and low capacity utilisation, around 50 per cent. While not much can be done about the poor quality of ore, the utilisation of the capacity of the smelters of the undertaking, indeed, can be improved somewhat through ensuring better power availability. Last year, power cuts ranged from 30 to 100 per cent. It is planned to go in for captive power generation at Khetri: it is felt that power stringency in Rajasthan will continue for long. The production build-up, of course, has been slow even after taking into account power shortage, because of slow technology assimilation. This year it is planned to raise production to 37,000 tonnes, depending on full availability of power, from a total capacity of 47,500 tonnes—31,000 tonnes at Khetri and 16,500 tonnes at Ghatshila in Bihar.

In anticipation of increase in the production capacity of its mines to about 67,000 tonnes concentrates by the end of the current Plan period, primarily as a result of the Malanjkhand mines going into production shortly, the capacity of the Khetri smelter is to be enlarged to 45,000 tonnes. The ore concentrates from Malanjkhand will be transported to Khetri for smelting. The Ghatshila smelter is to be expanded by 1984-85 to 22,000 tonnes capacity. A new smelter is likely to be put up later in Bihar to cater for the production and demand requirements of 1989-90. This smelter will be based on Singbhoom ore. It is programmed to raise copper production to about 65,000 tonnes by 1984-85 and 80,000 tonnes by 1990. The requirements are estimated to go up by 1984-85 to 85/90,000 tonnes and by 1989-90 to 150,000 tonnes.

Inauguration of Exim Bank

THE UNION Finance Minister, Mr Pranab Mukherjee, formally inaugurated the Export-Import Bank of India in Bombay earlier this month. The main object in setting up bank is to provide financial assistance to exporters and importers. It will function as the principal financial agency for coordinating the working of institutions engaged in financing export import and of goods and services.

The management of the bank will be vested with a Board consisting of the Chairman and Managing Director and 16 other directors. One director will be nominated by the Reserve Bank, one by the Industrial Development Bank of India and one by the Export Credit and Guarantee Corporation. The Central Government will nominate 12 directors of which five will be officials of the Central Government. Three directors will be from scheduled banks and four will be people with professional experience in export or import or financing thereof.

The bank would have an authorised capital of Rs 200 crores which may be increased by the Central Government to Rs 500 crores. The bank has commenced operations with a capital of Rs 50 crores and a long-term Government loan of Rs 20 crores. However the bank would be able to borrow from the open market through the issue of bonds and debentures. Funds from the National Industrial Credit (Long-term Operations) Fund set up by the Reserve Bank of India at the time of the establishment of the Industrial Development Bank of India would also be available to the Exim Bank for the purpose of its business. It will be able to borrow foreign currency in or outside India as also to raise resources by acceptance of gifts and grants.

T.T. Vijayaraghavan writes from Bombay

The business of the IDBI insofar as it relates to the export financing functions has already been transferred to the Exim Bank. This includes IDBI's ongoing schemes such as direct participation loans, refinancing of loans, buyer's credits, lines of credit, overseas investment finance and pre-shipment finance. The bank would also participate in various types of guarantees to support Indian projects and construction contracts abroad. It has also plans to introduce shortly a scheme for financing technical and consultancy services.

While inaugurating the bank, Mr Pranab Mukherjee explained the rationale behind the setting up of the bank. Since the export task is now becoming highly competitive and a specialised activity, a specialised institution which could work in unison with other banking and service institutions would be of great advantage. The bank was also expected to play a special role in providing medium and long-term finance for capital goods, project exports and civil contruction contracts. For the latter, there was good scope in West Asia and North Africa. The bank, Mr Mukherjee said, was also expected to study the special problems of establishing and nursing the joint ventures abroad. Promotion of consultancy services would be one of its challenging tasks. The Exim Bank could be a pathfinder and become a model for similar banks in Asis and other developing countries.

Mr R.C. Shah, who has been appointed Chairman of the Exim Bank, pointed out that the bank had already started operations from March 1 when it took over the export activities of the IDBI. The bank, he said, would offer financing packages covering international merchant banking and promote and finance export-oriented industries. It will also support financing of imports selectively with innovative trade financing packages. Mr Shah expressed the view that the climate was now favourable for an organised and sustained endeavour to expand the country's foreign trade. His countrymen will wish him every success.

Patil Disappoints Exporters

S. Viswanathan writes from Madras

FOR A change the Engineering Export Promotion Council invited Union Minister for Shipping and Transport, Mr Virendra Patil, to present the awards for outstanding export performance from the southern region during 1979-80 and 1980-81. And so the emphasis was on improving port facilities and shipping services. EEPC Chairman for the Southern Region Mr Kumar Mahadevan catalogued some of the problems: sailings from Madras Port, the major outlet for export cargos from southern region, are insufficient to help shipments of products in conformity with committed delivery schedules; inadequacy of shipping space; high incidence of freight which generally accounted for more than 25 per cent of FOB prices, periodical freight hikes...

These problems have been highlighted from time to time. In the past, the Minister for Commerce used to participate in such functions and he would give the assurance of taking up such matters with the Minister for Shipping. The exporters were naturally hopeful that the suave and gentle Virendra Patil hailing from the South will have a better appreciation of some of these problems.

That such problems are of vital concenr to exporters from this region may be easily conceded. The profile of the south as an exporter of engineering goods has been rather modest. In 1980-81 out of total engineering exports of around Rs 900 crores, the contribution of the southern region was a modest Rs 103 crores, working out to 11.44 per cent. In the mid-Seventies when project exports, consultancy service and civil construction jobs assumed an increasing degree of importance, the south's contribution did not keep pace with this: Thanks to the boom in such exports earnings from engineering exports increased from around Rs 552 crores in 1976-77 to Rs 900 crores in 1980-81—a growth of nearly 70 per cent; in this period the contribution of the southern region increased from around Rs 83 crores to Rs 102 crores or approximately around 29 per cent. As a consequence the share of engineering exports from South declined from a little over 15 per cent to around 11 per cent in these 5 years. Even in 1981-82 engineering exports from the South are estimated at less than Rs 130 crores in a target of around Rs 1150 crores fixed for the country as a whole and which according to preliminary estimates seems to have been reached.

A major lacuna is the absence of high value project exports as also construction contracts in which there has been a boom. Surprisingly civil construction firms in the South, with the exception of Engineering Construction Corporation of India (a L & T subsidiary), seem to have been totally oblivious to the tremendous boom enjoyed by th counterparts in Delhi in overseas co tracts. The EEPC tried to enthu large civil construction companies in southern region and appraised them the tremendous scope that exist EEPC Executive Director, Dr R. Singh, mentioned in his address at awards function that around Rs 50 crores worth of civil contract orders ha been obtained by Indian contracti firms. But a negligible portion of th is accounted for by firms in this regio

The stress continues to be of sm volume exports of components a durable consumer products. The pub sector units of Bharat Heavy Electric Ltd. at Tiruchi, Hindustan Machi Tools, Bharat Earth Movers, Bha Electronics and Hindustan Aeronaut from Bangalore accounted for the bu of engineering exports from the organ ed sector; the large exception from private sector has been Motor Industr Company Ltd, Bangalore which, than to the global policies of this Germ collaborators BOSCH, has been expo ing a sizable volume of its productic Export houses attached to large indu trial groups even after their being this business nearly two decades a more, like the TI grouy or the Sta dard Motor group, hardly account f exports of around Rs 2 crores each.

Export Concentrations

The absence of any organised attem in ensuring a dispersed growth of expo is evident from the concentration of su exports emanating from three princip cities—Madras, Bangalore and Tiruch In 1980-81 Tamil Nadu accounted f Rs 49 crores and Karnataka for Rs crores of total engineering exports Rs 103 crores from this region. Th these two States accounted for over per cent of engineering exports from southern region. Andhra Pradesh ported engineering goods for just Rs crores and Kerala for Rs 3.2 crores.

Naturally the question that has to answered relates to the preparedness the engineering exporters of the southe region to achieve a nearly 15-fold crease in the value of their expo during this decade. EEPC has set u arget to export engineering goods at an ambitious Rs 9000 crores by 1990-91 from the current level of around Rs 1150 crores. Half of this will be accounted for by construction contracts and project exports. In both these areas, the ontribution of the southern region has been a trifle. How then is it going to aise its total exports in this decade from the current level of around Rs 125 rores to around Rs 1800 crores?

A few months ago the Deputy Chairman of EEPC, Southern Region, Mr M.N.K. Menon raised a serious question: "The shipping problem was a very sersious one; When we have difficulties to deliver even Rs 900 crores worth of exports that were made last year, how can we think of achieving a target of Rs 9000 crores by the end of his decade unless very drastic steps were aken to improve the shipping facilities?" asked Menon.

The Backgrounder

And so the exporters from the southern region sent a backgrounder on shipping and port problems faced by exporters of this region to Mr Virendra Patil and were naturally hopeful of some solution to these long-standing problems. However, they could not have had much satisfaction over the impact of the memorandum through the replies of Mr Patil to the points raised by them. Mr Patil's answers were on traditional lines. On the question of inadequate sailings, Mr Patil said that this was due to inadequate and lack of regularity of cargo support from exporters. He also said that many shipping companies complained that Indian exporters did not patronise Indian vessels. He referred to the practice of some of the exporters to patronise non-Conference Lines which offered regular sailings at standard rates. He felt that importers and exporters at times did not play the game fairly which acted as a disincentive to introduce new sailings on a regular basis. Mr Patil is naturally worried over the fall in the share of the cargo handled by the Indian bottoms in the total volume of India's foreign trade and he hinted that the Government may even compel Indian exporters and importers to send their cargos only through Indian ships when space was available on these. "No Government could afford to watch helplessly while its national shipping suffered contributing to enormous outgo of foreign exchange", said Mr Patil.

He advised the exporters to open a dialogue with the national shipping companies on the question of more services and also on increasing the freight rates.

Modernisation Plans

He said that the several modernisation plans underway at the ports will be completed in the next two years which will enable the ports to improve handling of cargo. He ruled out any subsidy by the Government on any promotional services. He advised the exporters to persuade the shipping companies to introduce these on the basis of assured and regular cargo support.

There was some disappointment that Mr Patil could not concede even the request of the exporters for the opening up of an office by the Shipping Corporation of India in Madras. Mr Kumar Mahadevan reiterated the plea made for long by exporters of the region for this facility. The southern region accounted for nearly 30 per cent of the total exports and the Shipping Corporation which accounted for more than half of the total tonnage of the Indian shipping handled a good portion of this. The exporters have been pleading for a SCI office in Madras which would help guide exporters on the availability of sailings, shipping space and freight rates. A rather powerful agent with strong political connections has been representing SCI for years; and despite the big increase in the volume of business from this region which could well justify the opening up of an office, SCI has been opposed to bringing about a change in the set up. To the plea of EEPC's regional chairman and to the subsequent questions from pressmen Mr Virendra Patil would not say anything beyond that the SCI did not consider opening up of such an office as commercially viable.

Twenty-three awards were presented for the two years. Seven from the small scale sector and one from the public sector were included in this. Motor Industries Company received the Top Exporter's Shield both for 1979-80 and for 1980-81 among DGTD units. HMT International Limited won the Top Exporter's shield for both the years from the category of export house. Rajan Universal Exports (Manufacturing) Pvt Ltd again bagged the regional top exporter's shield for SSI units for both the years.

The one plea of a Regional Chairman that found acceptance from the State Minister for Industry S. Tirunavukkarasu related to the State's willingness to constitute an export cell for encouraging engineering exports. Mr Thirunavukkarasu also agreed to consider the suggestion of instituting an export award by the State. Thus possibly a greater degree of involvement on the part of the State Government may be forthcoming in this area of considerable importance.

Left Front Looks Ahead

THE ELECTION manifesto, issued by the Left Front, has reiterated its determination to accelerate the economic development of West Bengal if returned to power. It has highlighted the several constraints under which the State Government has to function. The manifesto includes a 34-point programme, indicating the lines on which action would be taken in order to promote people's welfare. It has also identified 18 points for restructuring the relations between the Centre and the States with a view to seeking more powers and resources for the latter.

The manifesto has mentioned the problems faced by the State's major industries like jute and tea and has stressed the need to tackle them speedily. It has demanded the nationalisation of the jute industry and the adoption of more effective measures for the rapid revival of the tea industry. It has assured that the State Government would take more energetic steps to restore the health of the sick units and to prevent future sickness. It has pledged to stimulate the faster growth of small-scale and cottage industries by providing them with adequate supply of finance, raw materials and marketing facilities. The manifesto has explained how the State's economic growth has been adversely affected by the lack of a national policy for the supply of basic raw materials like cotton, chemicals, cement and alcohol. The mal-distribution of consumers good such as foodgrains, edible oils and salt is said to have contributed a great deal to the people's hardship.

R. J. Venkateswaran writes from Calcutta

Few voters will exercise their franchise on the basis of the election manifestos of the political parties. Even so, the Front could have made its manifesto much shorter. Where is the need to include as many as 34 points when the Prime Minister, Mrs Gandhi, has sought to impress the nation with a programme of only 20 points? It should have focussed attention on a few major issues and asked for the people's mandate.

For example, the Front should have explained in some detail what steps it would take to provide some immediate relief to the people from the acute shortage of power. The manifesto has said that the Government would expeditiously implement the on-going projects for the generation and distribution of power with a view to raising the capacity to 3500 MW by 1986-87. It has promised to draw up new power schemes and reorganise the power sector. But of what interest is it to the electorate to learn about the State's installed capacity for power five years hence? What it is anxious to know is whether the Front, if elected, has new ideas to step up generation from the existing capacity and to reduce load-shedding. It may not be possible to eliminate load-shedding completely in the next few months. But, surely, something could be done to mitigate its present rigour. It remains to be seen to what extent the opposition parties are going to exploit in their election campaign the Front's failure to improve the power situation.

Another important aspect of the manifesto, from the point of view of the common man, is the promise to take concrete measures for improving efficiency in the administration by speedy disposal of files, timely attendance in offices, and better attention to public grievances. The vigilance system is going to be toned up to deal more promptly with the complaints of corruption. It is also proposed to set up a high-powered administrative reforms commission to recommend structural and functional changes.

Why does the manifesto mention proper attendance in offices as one of the objectives to which the Government would give attention? The present Government has treated its employees generously not only in regard to the revision of their pay and perquisites but also in other respects like giving them freedom to form associations, and so on. How then does the Government find it difficult to ensure timely attendance in offices? Has the problem assumed such dimensions as to find a place in the election manifesto?

Central Govt Powers

The Front has suggested that the powers of the Central Government should be confined to the monetary system, planning and economic coordination, foreign affairs, defence and communications. It has pleaded for a larger role for the States in the formulation and implementation of the five-year plans. It has also asked for scrapping Article 356 of the Constitution which enables the Centre to dismiss State Governments and impose President's rule. These issues are, of course, important to the smooth functioning of the federal system. But how far are they relevant in the context of the elections to the State Assembly?

The absence of harmonious relations between New Delhi and the Government of West Bengal has not only held up the State's economic progress but has al caused much hardship to the peopl Both should realise that a stagna economy in a State of strategic impo tance like West Bengal is not conduci to strengthen the country's defence ar development.

Basu and Bengal Chamber

IN HIS presidential speech at the annua general meeting of the Bengal Chambe of Commerce and Industry held on Apri 13, Dr R. Mamak revealed that most o the new projects, sumbitted by the Chamber's member-firms in 1977 to the Government of West Bengal, involving a tota investment of Rs 163.69 crores, had bee implemented. If so, this is indeed a tribut to the realism shown by the Left Fron Government in encouraging the privat sector to expand. In recent months there have been reports about flight o capital from West Bengal and these have emanated from some industrialists themselves. There have also been gloomy predictions about the investment outlook in the State because of the severe scarcity of power and other constraints. But Mr Mamak's speech seems to contradict such trends. In fact, he assured Mr Jyoti Basu, who inaugurated the annual session, that "our efforts will be continued with renewed vigour so that West Bengal cannot only occupy again its pre-eminent position on the country's industrial map but move on further to achieve new heights of economic progress".

The invesment schemes, mentioned by the Chamber's President, were finalised when Mr Siddhartha Ray was the Chief Minister. It is, of course, encouraging to note that after the Left Front came to power, the sponsors decided to go ahead with their projects. It will, however, be worthwhile to know more details regarding the projects, particularly about their location, the nature of the products manufactured, the employment generated, and so on. It is not clear from Mr Mamak's speech how many projects have been taken up and whether they have been fully or partially implemented. The State Government should look into this matter and satisfy itself about their progress. Incidentally, what has happened to the projects submitted to the State Government by the member-firms of the other chambers of commerce? How many of them are being carried out?

Mr Mamak expressed appreciation of Mr Jyoti Basu's interest in the Chamber's activities. He said that the fact that Mr Basu had been the Chamber's chief guest on five consecutive occasions showed the importance that he attached to the growth of industry and trade. He added that Mr Basu's address to the Chamber had always been "very stimulating and thought-provoking". Did this description apply also to that portion of Mr Basu's speech in which he criticised the working of the jute industry? A few days ago, the Chief Minister had said that the owners of the jute industry had "ruined" it. He did not use such a strong word in his address to the Chamber but he made it clear that he was very unhappy about the jute industry's performance.

Jute Lockout

Mr Basa wondered why, after getting concession from the Government of India, including bulk purchases of gunny bags on a cost-plus basis, so many mills should remain under lockout. He said that over 40,000 workers in the jute industry were at present jobless. The Chief Minister declared that he did not see any alternative to the nationalisation of the jute industry.

New Delhi is unlikely to oblige Mr Basu by implementing this proposal. Meanwhile, such constant talks and threats by Mr Basu and other leaders of the Left Front are bound to create more uncertainty among the jute industrialists and make them hesitate to undertake schemes of modernisation. This will further weaken the industry and affect the welfare of workers and growers.

Mr Basu expressed concern at the growing incidence of industrial sickness and he asked the Chamber to find out the reasons and the remedies for it. The causes and consequences as well as the solutions for sickness are very well known. If at all any further study is to be undertaken on this subject, it should try to find out why sickness continues to persist in an acute form in the eastern region to a greater extent than in the other parts of the country and how far the State Governments concerned, managements, and trade unions are responsible for this situation.

Exports of Soviet Assisted Projects

Dr Victor L. Korneev

THE SUCCESS story of India's engineering exports the value of which reached Rs 900 crores in 1980-81 and is expected to go up to Rs 1,150 crores for 1981-82, shows the high engineering potential of the country created due to the policy of industrialisation adopted by Jawaharlal Nehru and pursued by the Indian Government at present.

A substantial contribution to the rapid growth of India's manufacturing exports was made by public sector enterprises. Their transformation from major importers of engineering goods to one of the major exporters is really impressive.

As stated in the Public Enterprises Survey for 1980-81, recently presented to Parliament, the total earnings of foreign exchange of all public sector enterprises together increased from Rs 1911.28 crores in 1979-80 to Rs 2211.91 crores in 1980-81, an increase by 11.7 per cent as against 4.1 per cent in the previous year.

During the two-year period of 1979-80 1980-81, the value of heavy engineering exports of public sector enterprises reached a substantial amount of Rs 133.7 crores. The major part of these exports falls on three leading heavy engineering corporations of the public sector—BHEL, HEC and MAMC. Together they accounted for more than 80 per cent of the above export amount. These three public sector corporations have one common feature—all of them are to a substantial extent result of Indo-Soviet economic cooperation and are utilising the latest Soviet-made machinery and technology.

The total value of export earnings by public sector corporations set up as a result of Indo-Soviet cooperation increased in 1980-81 by more than 2.6 times and reached about Rs 277 crores.

The distinctive feature of Indo-Soviet cooperation during the last few years as envisaged in the long-term Programme of Economic, Trade and Scientific Cooperation between India and the USSR signed in March, 1979, is the development of mutually beneficial production cooperation in engineering industry. Following the agreements reached between the organisations and corporations of the two sides the USSR placed substantial orders with HEC (Ranchi) and MAMC (Durgapur) plants for supply to the USSR on a long-term basis.

Thus, in 1980-81, the MAMC received orders from the USSR to the value of Rs 44.9 crores for mining equipment to be supplied by December, 1983, as a result of agreements reached between Soviet organisations and this public sector undertaking. Still larger orders have been placed by Soviet organisations with the HEC (Ranchi). During the period of 1982-83, this corporation has secured Soviet orders for Rs 48.5 crores.

Actually the HEC and the MAMC by fulfilling the Soviet orders are making a serious effort to gain export markets not only in the USSR but also in a number of other East European and developing countries.

Yet another form of Indo-Soviet cooperation which provides scope for increase of India's exports is cooperation in third countries.

At the first session of Indo-Soviet Monitoring Group headed from the Indian side by Mr Manmohan Singh, Member, Planning Commission, which took place in Moscow a few weeks ago, this form o cooperation was discussed at length. I was decided to continue the search fo opportunities for the development of cooperation along these lines.

Window on the World

A New American GSP

V. Balasubramanian

As if to prove that the administration is not being soft on concessional treatment of imports even in such a limited area of preferential trade liberalisation in favour of developing countries as the Generalised Scheme of Preferences, the Reagan administration has carried forward the policy it started last year of "graduating" beneficiaries out of the scheme on its judgement of their being no longer in need of GSP benefits. Last year products accounting for $443 million in US imports during 1980 were removed from the GSP list. This year, effective from April 1, $651 million in imports are being similarly taken out.

Decisions to remove products from GSP eligibility under a discretionary graduation process are based on a country's level of development, its competitiveness in specific products and the overall economic interests of the United States, including the import sensitivity of the domestic industry. The top seven beneficiaries of the US programme—Taiwan, Korea, Hong Kong, Mexico and Brazil plus Singapore and Israel added now—are among those affected by discretionary graduation this year.

Duty-free Treatment

In addition to discretionary graduation, another $6.8 billion in imports will be ineligible for duty-free treatment because of the competitive need test, which provides for the automatic exclusion of a product from GSP eligibility whenever certain value ($50.9 million for imports in 1981), or import share ceiling (50 per cent of the total US imports of that product) is excluded. These exclusions from GSP totalled $5.6 billion last year, or $1.2 billion less than this year,

Redesignation of individual beneficiary developing countries for GSP benefits on specific products, previously excluded from duty-free treatment, but with import values of shipments in 1981 falling below last Year's competitive need limits, adds up to 35 products valued at $213 million as compared to imports valued at $152 million qualifying at the redesignation exercise last year.

A *de minimis* provision allows the waiver of the 50 per cent need limit in cases where total US imports of an item in 1981 did not exceed $1.2 million. Imports of 194 products, valued at $41 million will enjoy this waiver this year as compared with $38 million last year.

Small Talk from Washington

All these modifications are generally in the direction of tightening up the US GSP programme. The administration argues that this process proves the success of the programme in helping to upgrade the export capabilities of the benefiting countries in the items that are being graduated from the scheme. At the same time, US Trade Representative Brock has also conceded that careful consideration is also being given to the competitive posture of US producers likely to be affected by the programme. This consideration has clearly been given significant weight in considering additions to the GSP list. Last year, about $442 million in developing countries' exports benefited from the additions then made. This year only $76 million in import value of 48 new products will gain through additions.

Incidentally, over half of the additions were requested by Caribbean countries. Brock also announced the designation of the Caribbean Common Market (CARICOM) as "one country" for the purposes of GSP, thereby enabling the 12 countries concerned to receive cumulative treatment under the GSP rules of origin. The Andean Group and ASEAN were similarly designated last year, the advantage of this recognition being that the member countries could combine processing operations in order to meet the 35 per cent value added requirement of the US GSP.

At present the US grants duty-free treatment to about 2,900 products from 140 developing countries and territories accounting for three per cent of total US imports. Since the programme began in 1976, the value of imports covered by the scheme has risen from $3 billion to $8.4 billion in 1981. The pace may slacken, hereafter, given the Reagan administration's hard-headed approach to development issues in areas of aid, trade and investment.

For India, the items of possible in-

Rajneesh Vs Mahesh Yogi

Two of the most advertised and moth-eaten godfather gurus from the crowded sub-culture of India's jet-borne holymen are now battling for the soul of the American people, with Maharishi Mahesh Yogi clearly having the edge over Acharya Rajneesh. The latter's acolytes have been figuring chiefly in local squabbles where the natives worry that ashramite activities might pull down property values in neighbourhood communities. The TM brigade, however, has surged into the corridors of power in Washington where it is selling its *siddhi* techniques to Congressmen and administration officials sadly in need of some different kind of tranquiliser since pills do not seem to work any longer. The Maharishi is thus in the mainstream of a multi-million dollar traffic in the peddling of peace to restless spirits. In contrast, the Rajneesh brand of salvation through sex cannot even have the sharpness of a distinct cult in a society where permissiveness is as familiar as your neighbour's wife.

terest in the list of additions are bovine leather and pepper and perhaps a few more. Their total US import value in 1981 was 1.25 million dollars. The redesignation benefits will cover another $14.5 million in import value, the sole item being goat and kid leather, not fancy. The *de minimis* waiver will benefit trade of the value of $3.9 million, the principal items involved being goat skins, vegetable tanned; cotton handloom fabrics; jute webbing and jute woven fabrics; lime, chlorinated; and strichnine and its salts. As against this, items totalling an import value of $16.4 million have been excluded because the competitive need limits were exceeded in 1981. These goods include calf and kip lining leathers, buffalo leather in rough, certain varieties of cotton handloom fabrics and coir floor coverings.

How Far Can Saudi Arabia Cut Oil Output?

To what extent could Saudi Arabia cuts its oil exports and still meet its financial requirements without incurring budget deficits or reducing the level of its officially held foreign assets? The answer to that question depends on several key variables: (a) the Government's projected spending levels, (b) further non-oil income, (c) associated gas needs, and quite obviously (d) the price of oil.

Unofficial estimates of future levels of Government expenditures have differed widely. Despite shortfalls in the implementation of development projects during Saudi Arabia's second five-year plan period, which covered fiscal years 1975-76—1979-80, State budget civilian and military outlays totalled $198 billion in current prices. This equalled 84 per cent of projected spending in inflation adjusted terms. Under the third development plan (fiscal years 1980-81—1984-85) which is currently being implemented, civilian expenditures alone as originally proposed totalled $234 billion in constant (1979-80) prices. This spending target reportedly has since been raised by 15 per cent. The plan also includes an allowance for inflation of 7 per cent in the case of new projects, although domestic inflation, as measured by the non-oil GDP deflator, is more likely to average around 10 per cent over this five-year period. When outlays on defence and internal security are added, plus internal transfer payments and foreign aid in the form of grants and loans, *overall* spending by the Government during 1981-85 will be close to $450 billion in current prices.

The table here illustrates the annual pattern these expenditures could follow over this five-year period and the concomitant implications for Saudi oil revenue needs. Included in these calculations are: projected State income from the export of natural gas liquids and from petrochemical and other industrial projects currently under construction, estimated returns on foreign assets, and other budget income. It is conservatively assumed that the petrochemical and other industrial projects, due on stream during 1983-85, do not attain full capacity production before 1987. Associated gas needed for fuel and feedstock for Saudi industries and power stations by that date requires crude oil exports of at most 6 mbd, given that a large portion of the gas currently produced is still unutilized, that Saudi fields have high gas-to-oil ratios, and tha dual-fuel systems are readily available.

The table shows projected requirements for Saudi Arabia's oil export income under these assumptions from 1981 to 1986. In the table below, these are then translated into the associated minimum oil export volumes that would meet these requirements under various oil-price assumptions. If the current benchmark-price holds at $34 per barrel through 1985, the kingdom could cut its exports to an average of 5.8 mbd this year (that is, cut production to 6.3 mbd including oil for domestic use) and export an average of 6.5 mbd during 1982-85. If the marker holds through 1983, then rises 8 per cent in 1984 and 1985, Saudi exports would average 6.2 mbd during this period. But if the marker collapses—for example, falling to $28 by April and to $24 in current dollars by 1985—then, to meet its annual budget requirement, Saudi Arabia would need to sharply and steadily increase oil exports from 6.5 mbd this year to 9.5 mbd by 1985, and possibly to 11 mbd by 1986.

Several important conclusions can b drawn from this analysis. First, i demand for OPEC oil does not decline steadily in the 1980s, Saudi Arabia could

Saudi Arabia : Projected Oil Exports Needed to Meet Government's Annual Financial Requirement

(Billion dollars, current prices, calendar years)

		Third Plan Period						
		(Base) 1980	1981	1982	1983	1984	1985	198
	Total budget outlay	$60.0	70.0	85.0	95.0	100.0	100.0	115.
Less :	Non-oil income	$12.2	17.6	17.2	17.6	18.8	19 6	20
	Gas, Petrochemical, and other exports	3.5	4.4	5.0	5.1	6.0	6.5	7
	Income from foreign assets	7.5	11.7	10.4	10.4	10.4	10.4	10
	Other budget income	1.2	1.5	1.8	2.1	2.4	2.7	3
Equals:	Oil export income requirement	$47.8	52.4	67.8	77.4	81.2	80.4	94
Thus:	Implied oil export requirement							
	If net revenue per barrel (yearly average) is:		$31.25	32.30	32.30	32.30	32.30	32.
	Then, needed export volume is (mbd):		4.6	5.8	6.6	6.9	6.8	8.

Data: *Chase Economics Group estimate* contribute significantly to defending the benchmark oil price and still meet its overall budgetary needs by cutting exports to as low as 5.8 mbd this year—that is, about 1 mbd less than the level implied by the new Aramco output ceiling for April—and by selling an annual average of no more than 6.2-6.5 mbd through 1985.

Second, and apart from the pressing needs of other OPEC members, it is in the Saudi interest to defend the current benchmark price. If they do not, or cannot, and if the OPEC price structure collapses as a result, the Saudis would be faced with two choices : They either would be forced to sharply cut their own spending targets, as even a total drawdrawn of foreign assets would finance only two years of expenditure at currently projected levels; or they would have to expand future oil exports very sharply. Given the slow growth in world demand currently projected for OPEC oil, this later alternative would seriously conflict with the oil export requirements of other OPEC members. Thus, continued downward pressure would be exerted on nominal oil prices through at least the mid-1980s. Steadily expanding production could, moreover, heighten the reported conflict within Saudi Arabia between those who have favoured and those who have opposed high oil output, whereas lower production would alleviate potential tensions.

Source : *International Finance.*

Steep Drop in Commodity Price Index

DURING 1981, the overall index of primary commodity prices declined by 15 per cent, the steepest drop since the 1975 recession (in 1975 prices declined by 18 per cent). When prices are deflated by the UN index of prices of manfactured exports, the overall index for 1981 was 6 per cent below the previous price trough in 1975 and the lowest annual level in the post-war years. For January and February 1982, the index was six per cent lower than the average in 1981.

All four commodity groups contributed to the decline in 1981: food (—19 per cent); beverages (—5 per cent); agricultural raw materials (—10 per cent); and metals (—14 per cent). The sharpest price declines for individual commodities were recorded for sugar (—37 per cent); coffee (—24 per cent); cocoa (—20 per cent); rubber (—21 per cent); copper (—21 per cent); and lead (—20 per cent.

The weakness of primary commodity prices in 1981 is attributable to several factors. Excess supplies resulting from expanded output stimulated by peak prices in recent years had an adverse effect on prices of several commodities, forexample, sugar, coffee and cocoa. The deepening recession in industrial countries had an adverse effect on commodity markets in general and was primarily responsible for the price declines in industrial raw materials; after falling by five per cent in 1980, the average capacity utilisation ratio of the manufacturing sectors in 10 major industrial countries declined by a further three per cent in 1981. Furthermore, high interest rates resulted in the reduction of stocks to minimum working levels.

Price Indices of Primary Commodities
(1975 = 100)

	All Commodities*		Major Groups : Deflated†			
Year	Nominal**	Deflated*	Food	Beverages	Agricultural raw materials	Metals
1957	57	127	90	171	163	131
1958	53	118	84	171	137	123
1959	52	117	85	146	154	121
1960	52	115	83	133	158	121
1961	50	109	79	124	145	119
1962	49	106	80	120	138	115
1963	52	113	96	118	142	114
1964	55	118	90	133	139	139
1965	54	112	82	118	132	149
1966	56	114	81	121	133	157
1967	52	106	81	119	119	132
1968	52	105	79	120	116	137
1969	56	110	82	121	119	145
1970	58	107	82	129	103	145
1971	55	96	78	112	96	118
1972	62	100	83	113	116	109
1973	95	132	110	120	178	137
1974	122	138	144	117	141	140
1975	100	100	100	100	100	100
1976	113	112	81	189	123	105
1977	137	125	72	302	117	104
1978	120	103	71	190	109	95
1979	152	106	71	177	117	109
1980	166	104	86	140	110	108
1981	142	94	79	115	105	99
1982						
Jan.	133	86	66	119	90	95
Feb.	134	86	66	125	90	94

*Overall index of 30 primary commodities exported by developing countries (excluding gold and crude petroleum). †Deflated by the UN index of manufacturers exported by developed countries. **In terms of US dollars.

Data: IMF Research Department

Point of View

Population Policy for India

Dr R. R. Doshi

The author who is associated with the Department of Economics, Shivaji University, Kolhapur, has traced the history of the development of population policy in India and suggested a future line of action for checking the unredeemed growth of our population. In a package programme he discusses the child- birth ceiling, marriage age, sterilisation facilities, and the need for a common civil code. The policy must concentrate on fertility reduction accompanied by stepped up investment in the productive capacity of the economy for the eradication of poverty.

A CASUAL look at the state of the economic life in India would bring home the major issues with which the economy is confronted. Utter poverty of many people and widescale unemployment have cast their shadows over the economy. Since Independence India has been struggling to resolve these problems and make the economy move forward towards self–reliance. In spite of the efforts through economic planning, poverty and unemployment have continued to be the crucial problems, rather with greater intensity. Why ?

The underlying dominating cause is the rapid growth of population during the period after Independence. It is well known that we have grown in strength from 35 crores in 1947 to almost 68 crores in 1981. Has the country capacities enough to support this large number of present as also the potential addition at the rate of around 12 millions per annum? The answer is certainly negative. Furthermore, there cannot be two opinions on the fact that the rate of economic growth has been so long substantially slowed down mainly due to the rapid rate of population growth. Whatever increase in the national income was achieved by the planning process in the country was largely eaten up by the new months leaving a small portion for all to lift themselves to a higher plane of living. As such, improvement in the standard of living was marginal. Allowing for the increased concentration of economic power in certain sections of the economy, a conspicuously large number of the people have continued to live below the poverty line, while at the same time unemployment and under–employment has remained as a hanging sword. Therefore, in spite of the huge expenditure through five–year plans, we are still shouting the slogans of eradicating poverty and unemployment within next ten to fifteen years. Are they not hollow slogans ? Are we not misled by them ? Is it not a case of mistaken emphasis ?

The point is that rapid population growth, commonly expressed as population explosion, is India's enemy number one. Though this issue has quantitative as well as quantitative dimensions, under the Indian circumstances the former overweighs and therefore must be attended to with all the force and wisdom, and that too within the shortest possible span of time. The strength of action and the time span for the attainment of the targets envisaged are both important.

Need of the Hour

No doubts should lurk in any mind over the reality that unless India succeeds in restricting the flood of the new-born babies without lapse of much time, its dreams of uplifting the economic standards of the people would remain as meaningless words in the drafts of the Plans. So has happened in the past. Note these words in the Third Plan draft: "The objective of stabilizing the growth of population over a reasonable period must be at the very centre of planned development. In the circumstances of the country, family planning has to be undertaken not merely as major development programme, but as a nationwide movement which embodies a basic attitude towards a better life for the individual, family and community." Further, the fourth Plan said, "The objective of family planning now is to bring down the birth rate from 40 per thousand to 25 by 1980." We are now in 1982, but the birth rate ranges around 33 per thousand —a clear-cut indication of our failure to reach the goals. Demographers have sounded a note of warning, "Indians wake up, be realistic and act sagaciously: otherwise by the end of this century, you would build up a strength of 100 crores." The question then is : can Indians rise up to the cause and hold on this demon well in time ? This is not an impossible task provided the Government pursues vigorously and firmly a package programme while at the same time all sections of the people understand the possible dangers to the posterity and act in tune with the package programme. What should that programme be ?

The History

Before suggesting the future course of action, it will be enlightening to know what has been done in the past since the launching of the first five-year Plan. The draft of the first Plan set the ball rolling this way: "Population control can be achieved only by reduction in birth rate. This can be secured only by the realisation of the need for family limitation on a wide scale by the people." Reduction in birth rate was the correct objective chosen. But the course of action chosen left much to the initiative of the people. Moral restraint or the method of safe period were generally advocated showing disfavour for the use of contraceptives. A major shift in policy was accepted not merely as a major development, but as nationwide movement.

The Third Plan spelt out in greater details the programme for family planning and provided for :

(a) Education and motivation for family planning,
(b) provision of services.
(c) training,
(d) supplies,

(e) communication and motivation research,

(f) demographic research, and

(g) medical and biological research.

The pill, jelley diaphram condome, loop, sterilisation and medical termination of pregnancy were regarded as useful means for restricting the rate of population growth. Family planning clinics were set up. Advice, devices and services were provided. Incentives were given to motivate the people in favour of a small family. Larger sums of money were allotted for family planning programme in the successive Plans. The national emergency in the mid-Seventies brought a wave of sterilisations (causing even excesses at places). The post-emergency period witnessed the other extreme in this regard leading to almost a lull on this front. The Family Planning Foundation, a private agency working in the field of family planning, has pointed out that in 1975-76, 40 lakh sterilisations were done; the number went up to 80 lakh in 1976-77 end dwindled down to only 9.37 lakh in 1977-78. It adds further that out of those 9.37 lakh sterilisations in 1977-78, nearly 75 per cent took place in Gujarat and the southern States.

Inadequate Machinery

With all the efforts made so far, ultimately the birth control programme came to rely mostly on the distribution of devices, particularly condomes and sterilisations. Family planning clinics were established in urban and rural areas. Even then it seems that much of the impact is on the urban educated classes, while the rural masses and the people in urban slums were affected only marginally. Moreover, the State Govenments also were not equally active in pursuing the family planning programme due to inadequate machinery to carry out the task. The cumulative effect of all these measures was, therefore, limited and the severity of population pressure went on increasing Plan after Plan.

Added to this was a rapid decline in the death rate on account of a widescale provision of the facilities of health, hygiene and medical care. Birth rate per thousand declined to 33 whereas death rate fell to 15 per thousand in 1981, thus contributing to rapid growth of absolute population of India.

So far the following have been accepted as pillar posts to counter the demon of population growth in India :

(a) Family planning programme for reduction of the birth rate;

(b) education of the people;

(c) scientific agricultural development; and

(d) large-scale heavy industrialisation.

Long-term Measures

As an overall policy these measures are certainly in the right direction. But inherently they are long.term measures, and their impact could be felt after a pretty long time. Here, certain questions crop up. Agricultural development and industrialisation involve in themselves various issues like availabliity of required capital, equipment, technical know-how and skilled labour, besides the problems of institutional changes, gestation period and the occasional bottlenecks. True, industrialisation has a favourable impact on population growth rate. But, can a country like India afford to wait till the structural change in the economy is manifested ? No.

Second, take the case of education. It does play an important role in motivating the people in favour of a small family. However, it cannot be lost sight of that demographic studies have pointed out that a marked impact on fertility is experienced in the case of those having education above secondary school. So mere spread of literacy is not sufficient in this context. The real question is how many of the literates reach the educational attainment above secondary school ? With the average rate of literacy at 30 per cent the proportion of those completing college education is very small. Spread of educational facilities has its limitations in India. And hence, while accepting the importance of this means, we cannot resist to conclude that it will not cause the fertility rate to fall significantly in all sections of the deople very rapidly.

Coming to the family planning programme as in vogue, at present banks it upon sterilisation of both the sexes, distribution of condomes and to some extent on the medical termination of pregnancy as permitted by law. Other measures have gone into disfavour for various reasons.

According to the Ministry of Family Welfare, at present there are over 10.60 crore couples in the reproductive age-group, of which about 2.10 crore have been covered by the family planning programme. Thus, only about 20 per cent of the couples are within the net of the family planning programme. The Ministry sources say that if the population explosion is to be avoided, additional 2.50 crore couples must be covered. Is it not a gigantic job ?

Gigantic Task

In the case of sterilisations, the tendency of the people in general is to go for tubectomy rather than vasectomy. Of the total sterilisation operations nearly three-fourths are performed on women. Calculated in terms of cost of operation and ease of doing it, certainly vasectomy stands in merit as against tubectomy. Bearing this in mind, it is necessary to motivate men rather than womeu to undergo operations. Now what is the extent of operations needed ? Experts have opined that India will have to perform 3 operations per 1000 of population annually for 10 years if the nation's birth rate is to be reduced from 40 to 20.

This is the task before the country; rather a challenge before us. Are we prepared to accept it ? Here is the clue for future action. This is perhaps the core of the future policy and programme. Sterilisation of people causes a direct impact on fertility, involves no further expenses for the couples, works as a permanent check on the growth of numbers. Under the conditions of traditions-bound and illiterate masses use of contraceptive devices poses many problems and, therefore, it would be favoured mostly by urban educated people only. Hence, as a mass programme sterilisation of both the sexes gets an upper hand. What is needed is to motivate most of the married couples, both in urban and rural areas, to undergo sterilisation operation, for which persuasion, has to be coupled with indirect pressures (and not coercion),

Now about abortions. Since the passing of the Medical Termination of Pregnancy Act in 1972, over 800,000 abortions were effected in the private and Government hospitals between 1972 and December, 1977. Unofficial abortions also may be added. Here certain points have to be carefully noted. Basically, abortion is just termination of a pregnancy. Does it prevent further pregnancy in the near future ? No. Then for how many times a woman can do abortion ? Japan used this programme and succeeded. But Indian law is not so permissive. In addition, sufficient facilities for this purpose are not available in the country. Women in the countryside may fall prey to the rural quacks and rustic methods of abortions. About two lakh abortions done on an average every year, both officially and unofficially, would not touch even the fringe of the problem. Therefore, this is not a programme on which India can depend largely like Japan.

Time-bound Programme

The upshot of the above discussion is this. If reduction of fertility is to be left to spontaneous forces through economic development and urbanisation, the population explosion is inevitable as the Sixties have demonstrated. Already the weight of the evidence seems to be that family planning can accelerate fertility reduction where the conditions favour smaller families, but cannot initiate it among poor, ill-nourished, illiterate rural population subject to high mortality and traditional beliefs. Therefore, it is necessary for India to follow a time-bound programme with all the administrative strength and determination for reduction of the birth rate to 20 per thousand. Sterilisation of most of married people (of course, either of the couple) should form the core of the programme.

Having done with our basic approach, we are now set for outlining the package programme,

(*1*) *Child-Birth Ceiling* : The acceptance of the package programme outlined here rests on the need to lay down a ceiling on child-birth per couple. As a matter of national policy, the child-birth ceiling for every married couple should be two as far as possible. Demographers have established a correlation between the number of children and the birth-rate in India. If all couples get only one child, the birth-rate would be 9 per thousand. For each additional child the birth rate increases by 8 per thousand so that if all couples get two children the birth rate would be 17 per thousand and 25 per thousand in case of three children. Therefore, the Government has to follow a definite course of action to see that all the couples in the country, whether in urban or rural area, adhere to this norm preferably voluntarily, and if not, by administrative pressures.

Reducing Fertility Span

(*2*) *Marriage Age* : The minimum age of marrige for men and women is fixed by law and it is expected that it will be followed. Various demographic studies have concluded that the crucial age regarding fertility appears to be around 19 and 20 years and that a clear reduction in the average number of children appears to take place when the age of marriage for females is 20 years and above. Recently the Government has raised the age of marriage for females to 18. Still short of the advocacy of the experts. Doesn't matter. Even though it is raised to 21, the real issue is that of execution of this provision. It is a common experience that the letter of the law is flouted by most of the people in the lower strata.

In those families most of the girls are married before they reach 15 years of age. The law provides for punishment in such cases. How many people have been punished so far? Furthermore, the law requires the registration of every marriage when the age of the bride and the groom has to be given in writing. It is no secret that the parents state the false age to avoid legal complications. The officials also join hands in this game. Again, a good number of marriages are not at all registered. The experience is that nothing happens to anyone in spite of the legal restrictions. This is a problem peculiar with the families in rural areas and the lower classes in the urban areas. For the educated and better off families particularly in the urban areas, the ag at marriage is gradually increasing because of the education of females and it is generally beyond 19, for females.

So, the problem centres around the execution of the legal provisions. Following measures are suggested :

(a) Every birth, whether in a clinic or at home, must be registered with the local body,

(b) every marriage also should be registered with the local body; and

(c) for ascertaining the age at marriage, it should be obliga toryon the persons concerned to supply authentic certificates of birth date from the places where the birth of the bride and the groom are registered; no other document declaring birth date should be accepted.

Such measure would help in preventing the marriages below the legal minimum age. As a punitive measure, the law should provide for declaration of unregistered births and marriages as illegal in addition to rigorous punishment. Similia measures should be provided in case o marriages below the legal minimum age If wide publicity is given to such measures, especially in rural areas, the purpos of the law would be served. Consequently the age of marriage would be raised d facto, the reproduction span would be cu down, and fertility would be substantiall reduced.

Strict Implementation

Here, a part of the job is already done that is, the age of marriage has bee raised. What remains is the implementation. The Government has to be active i making the people behave within th framework of the law. The punitiv measured suggested may look harsh o face. But if the people are made awa of the provisions of the law through wid publicity, the fear of punitive action b itself will do much of the work and the may not be occasions to actually enfor these provisions.

3. *Application of Ceiling* : As is sa earlier, the child-birth ceiling has to necessarily two. Mere propoganda this policy would turn no stone. Peo should be compelled to adhere to this p licy by imposing certain restrictions in t

course of their bread-earning activity. Broad measures would be as follows :

(a) It would be obligatory on the Government servants at all levels to adhere to the family norm failing which their further increments should be stopped. If there can be an efficiency bar in the time-scale there is nothing harmful in imposing a family size bar.

(b) Educational concessions should be extended upto two children only and not to any additional number.

(c) Restrictions on salary increments and other benefits imposed on the Government servants should be imposed on the employees in the private sector also.

(d) All the local bodies should levy a 'Big Family Tax' to be collected for the number of childern above the ceiling. The rate of tax should be fixed per extra child. In case of a joint family, every married couple should form a unit for this purpose. It should be a progressive tax.

(e) Persons having children more than the ceiling should be held ineligible for contesting elections to any of the public offices.

(f) In case of loans granted by cooperative banks and societies, a penal rate of about 1 to 2 per cent above the usual rate be charged if the borrower has crossed the family ceiling.

(g) The women workers should be given the benefit of maternity leave upto the ceiling only.

(h) Bachelors and married persons without children should be given a special concession in taxable incomes. In case of the taxpayers having children beyond the family norm the taxable income should be lowered at a specific rate per additional child.

This list can be lengthened further. However, whatever is suggested here may be a big dose for the people to digest. Hence, let us make a beginning with these measures. A few of them are already in vogue. Their net may be cast wider. Necessary legal formalities required for these measures should be completed sooner and the measures be enforced without any undue lapse of time.

4. *Sterilisation Facilities*: The measures enlisted above would work as a strong preventive force and motivate and activise the people for observation of the family norm. People in all walks of life would become small family minded. But this is not all. Under the circumstances, they would necessarily adopt the means for restricting the number of births. The Government should be on its feet to help the people in their efforts through,

(a) education and motivation for family planning,

(b) provision of services,

(c) supplies; and

(d) training.

Concrete Measures

Concrete measures may be on the following lines.

Of all the methods of family planning and most suitable to all sections of the people, sterilisation has an upper hand. It is a once-for-all treatment and hence carries no risk of conception later on. Contraceptive devices may be faulty or a mistake is likely to occur while using them, and hence chances of coception cannot be definitely ruled out. With sterilisation the couple can feel danger-free. Therefore, while the restaictive measures are enforced, most of the people would take recourse to sterilisation rather than using contraceptive devices. As legalising abortions was the mainstay of Japan's population policy, so sterilisation should become the stronghold of India's population policy. Under Indian conditions this is most suitable. However, it is to be remembered that people should not be dragged to the clinics for sterilisation; the enforcement of the restrictive measures would automatically take the people to the clinics. Following measures would be helpful in this connection :

(a) The Government publicity machinery should be geared for the propoganda of the small family and impress at the same time on the public mind the importance of sterilisation.

(b) From the point of view of cost and ease of doing the operation, sterilisation of males rather than females, be encouraged. However, the couples be given freedom to make their decision in this behalf.

(c) More family planning centres should be opened in the rural areas. In addition to that qualified registered medical practitioners everywhere be asked to perform vasectomy/tubectomy free of cost. The Government should compensate them for the expenses. Public hospitals and primary health centres also should be involved in this work.

(d) For the people employed privately or in a public undertaking, paid leave for specific number of days should be granted for undergoing vasectomy/tubectomy. And on production of a certificate from the doctor concerned, the employees should be granted one advance increment effective from the date of operation. In the case of private institutions this cost be reimbursed by the Government permanently.

(e) While financing agriculture and the weaker sections of the society, banks and cooperative societies may charge interest 1 to 2 per cent less than the usual rate in case the borrower produces the proof of his sterilisation operation.

(f) Arrangements for consultations and supply of contraceptive devices should be adequately made in order to help the people in proper spacing of their children.

(g) Financial incentives to the workers in the field of family planning be continued as before, with due revision in the amount to be paid to them.

5. *Common Civil Code* : A very important step the Parliament has to take is to introduce a common civil code in the country. This will allay the fears in the minds of certain communities regarding legal discrimination.

The problem in India is to make the people in the country realise the benefits of small family and see that the small family norm becomes a way of life among all the classes of people living in the rural and urban areas. The task is simple for the reason that 'India is fortunate in not having any organised religious opposition to birth control since India's major religion, Hinduism, is not opposed to it' (Dr. S. Radhakrishnan : Inaugural Address to the Third International Conference on Planned Parenthood, Bombay, 1973).

The policy and programme must concentrate on fertility reduction, for which the Government has to resort to many measures that would be in the nature of voluntary compulsion. Firm action is called for from the Government. The citizens of the country should accept the measures for the sake of the individual and common good. The programme for fertility reduction has to be supplemented by stepping up investment in the productive capacity of the economy as both are essential for economic growth and eradication of the poverty of the masses. How the Government acts and in what manner the people react to the measures would ultimately determine the fate of the country.

Simulation as a Tool in Business Analysis

Navin Chandra Joshi

The main purpose of simulation in management is to create an atmosphere in which managers play a dynamic role by enriching their experience through involvement in reckoning with actual conditions through experimentation on paper. The technique, the author says, permits trying out several alternatives without dislocating the system in any way.

WITH THE advent of digital computers, simulation has emerged as a major tool of analysis in bussiness and economics. In the U S A simulation is one of the three most widely used management techniques, the othen two being statistical analysis and linear programming. Application of simulation to business and economic problems began in 1950's.

With the help of simulation, a small entrepreneur or a business manager can observe the dynamic behaviour of his business system much in the same way as a scientist does in his laboratory. The Monte Carlo technique of simulation uses experimentation with the help of probability theory. Experimentation is made as an alternative to taking the actual samples. The basic tool, therefore, is the random numbers and as such simulation is essentially done through the sampling method.

The Monte Carlo technique has been most extensively used in waiting line problems and through that, a special branch of probability theory known as "queuing theory," helps in solving production and service problems. Problems of corporate planning, capital investment, consumer behaviour and quality control can also be handled through simulation. However, simulation is not a panacea for all kinds of managerial problems. It is indeed a slow and costly way of studying a problem when better ones are not available. Simulation does not give optimum solutions like methematical programming can do. It only provides statistical estimates of alternative plans and strategies.

There are many industrial problemes which defy mathematical solutions. The reason is that either they are too complicated for simulating or that the data cannot be expressed in mathematical terms. In such cases, it is still possible to reach valid conclusions by using the Monte Carlo technique which is a definite aid in making production process decisions.

To illustrate, there is the problem of manufacturing shafts and rings of definite sizes and specifications in an engineering firm, It is known through quality control data that shaft diameters are normally distributed with a mean average of 0.980 inches and a standard deviation of 0.010 inches. Likewise, rings have a mean of 1.000 inches and a standared deviation of 0.020 inches. Now if we want to locate the number of misfits i.e., shaft diameter exceeding the ring diameter, then we have to simulate the sizes through numbers. We derive the following random deviates from a normal distribution with a mean equal to zero and a standard deviation equal to one.

Random Normal Deviates

Shaft	Ring
—1.34	0.19
—1.00	0.31
—2.04	3.08
—2.16	0.47
0.88	0.52

These random numbers could be increased to any length. As these are deviates, we shall multiply them by standard deviation relevant to them and then add and

TABLE I

Simulating Sizes of Shaft Diameters to Locate the Number of Misfits

Assembly	Shaft	Ring
1	0.980—1.34 (0.010) =0.9666	1.000 plus 0.19 (0.020) = 1.0038
2	0.980—1.00 (0.010) =0.970	1.000 plus 0.31 (0.020) = 1.0062
3	0.980 plus 2.04 (0.010) =1.0004	1.000—0.08 (0.020) =0.9984
4	0.980—2.16 (0.010 =0.9584	1.000 plus .47 (0.020) =1.0094
5	0.980 plus 0.88 (0.010) =0.9888	1.000—0.52 (0.020) =0.9896

subtract from the mean, as the case may be. We get the result as shown in Table I (p. 999).

The foregoing calculation show that in assembly No. 3 the shaft size turns out to be larger in diameter than that of the ring and as such, this assembly output happens to be a misfit out of the five assemblies studies and simulated.

Another illustration could be in respect of a queuing problem, say, in the repairing of trucks in a workshop. Here again, we take random numbers in the form of ratios of interval lengths to the expected length of time, the latter being 10 minutes on an average for a truck to arrive. Suppose the random numbers are 1.14, 0.83, 0.39, 1.19 and 0.86. The first truck will then arrive at 1.14 x 10 minutes =11.4, the next one at 0.83 x 10 minutes =8.3 and so on. If the workshop opens at 10.10 a.m., the first truck arrives at 10 hrs. 11.4, minutes, the next one at 10 hrs. 19 7 minutes and so on. Simulating the process, we have Table II.

TABLE II

Simulation in Solving the Problem in Truck Queuing in a Workshop

(In minutes)

Truck arrival	Waiting time	Service starts	Service completed	Idle time
11.4	0	11.4	19.4	11.4
19.7	0	19.7	27.7	0.3
23.6	4.0	27.7	35.7	0
35.5	0.2	35.7	43.7	0
41.1	0	44.1	52.1	0.4

From the simulated Table II we find that when the third truck arrives, it has to wait for 4.1 minutes as the second truck is still being serviced, the average service time being 8 minutes. Idle time for the workshop has been worked out. This study in simulation can go on to some length and then efficiency in handling repair work of trucks be improved through curtailing the idle time for the workshop and reducing the waiting time for trucks.

The main purpose of simulation in management is to provide feedback which is vital for the learning process. It creates an atmosphere in which managers play a dynamic role by enriching their experience through involvement in reckoning with actual conditions through experimentation on paper. The technique permits trying out several alternatives as the entire production for service process can be worked out on paper without dislocating the system in any way. Thus, the Monte Carlo technique transforms the manager from a blindfolded driver of an automobile reacting to instructions of a fellow passenger to one who can see fairly clearly where he is going.

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Rising Demand for Pumps

THE MINISTRY of Industry recently pointed out to the Indian Pump Manufacturers Association that in view of the decade 1981-91 being designated as the International Drinking Water Supply and Sanitation Decade, there will be considerable additional demand for various categories of pumps. The Pump Manufacturers say they are confident that with the present installed capacity and the already licensed capacity, there will be no shortage of pumps in the near future.

At present there are 55 units with a capacity of 5 lakh nos of power driven pumps including 14,000 nos of process pumps. Centrifugal pumps upto size 10 cm x 10 cm, hand pumps and coolant pumps are reserved for small scale sector. The production of pumps for irrigation and industrial purposes achieved by the existing units during the last 4 years is as under:

1975-76	274,450 nos
1976-77	305,527 nos
1977-78	355,277 nos
1978-79	363,340 nos

Exports are mainly confined to pumps for irrigation purposes and during the last few years the value of exports has been around Rs 8 crores.

Production Requirement

The industry is now in a position to manufacture a wide range of centrifugal, reciprocating and rotary vane pumps for water supply and industrial applications such as fertilisers, chemical, petrochemical, refinery etc. The Sixth Plan Working Group has projected the production requirements for all types of pumps at Rs 82 crores by 1983-84.

The Indian Pump Mannfacturers Association has been trying to improve the quality of pumps. For instance an important subject which emerged at the International Technical Seminar on Pumps for Thermal Power Stations held in New Delhi sometime back was the standardisation of specifications, tolerances and testing parameters for circulating water pumps used in thermal power stations. As a follow up a seminar was organised on circulating water pumps with a view to having an exchange of views with the Ministry of Energy, Central Electricity Authority, National Thermal Power Corporation, State Electricity Boards and consultants concerned. The basic objectives were to reach a consensus on design and construction features and testing parameters.

Solar Pumps

In order to determine the scope for developing and manufacturing pumps operated on solar energy, the Pump Manufacturers Association organised a meeting with Central Electronics Ltd (who had developed the prototype of a solar pump) and the Chief Engineer (Minor Irrigation), Ministry of Agriculture. It was clarified that the solar pump developed by CEL was at present confined to those locations in the country where the pumping requirements would be in the range of 3 to 6 LPS capacity against a total head of 3 to 6 metres. Initially, these would be used to replace the diesel pumpsets of 3 to 5 HP. Solar pumps operating for about 5 to 8 hours a day would, on an average, irrigate 1 hectare of land. If the CEL experiments succeed, there would be substantial demand for such pumps. However, further development had to be carried out to reduce the costs of these pumps. CEL sought the assistance of IPMA in developing appropriate pumps and motors.

A working group under the convenorship of Mr R.J. Mankad (Akay Industries) has been set up for standardising the dimensions of mechanical seals used by the pump industry. The working group had obtained necessary information and the common standards for different types of pumps are being evolved in consultation with seal manufacturers on the basis of data furnished by members.

Price Preference

The Association has requested the Ministers for Finance and Industry to reconsider their decision to extend purchase and price preference of at least 10 per cent for supplies from public sector undertakings. The pump manufacturers have been collecting details of specific cases of purchase and price preference to the public sector.

The British Pump Manufacturers Association and the Hydraulic Institute in USA had been contacted by the Indian Pump Manufacturers Association to ascertain whether there were any standards on surface finish of pump castings. Besides listing the British Standards on the subject, the British Pump Manufacturers Association advised that pump manufacturers in UK prepared test pieces with different surface finishes by grinding, honing, etc. These pieces are then used as quality control masters for the type of finish required. The Hydraulic Institute, USA after consulting its members, referred to some publications dealing with quality standards for steel casting publisbed by Manufacturers Standardisation Society of Valves and Fittings Industry, American Society of Testing and Materials (ASTM) and Steel Founders' Society of America. The Institute also advised that the Alloy Castings Institute in USA has developed a surface indicator scale (of pocket size) which provides physical representation of the character of surface to be expected on castings produced by different moulding methods.

STATE OF THE ECONOMY

ITDC's Performance

THE PUBLIC sector India Tourism Development Corporation closed the year 1981-82 with an all-round improvement in its financial performance, setting new records in its various activities. According to provisional figures available the corporation's net profit (after tax) is estimated at Rs 1.40 crores, a more than threefold increase over 1980-81. Profit before tax of Rs 3.15 crores is more than 58 per cent higher than in the previous year. The turnover has increased to Rs 36.35 crores from Rs 30.81 crores. The corporation will be paying dividend of Rs 45 lakhs. The exchequer will earn Rs 1.75 crores in corporate tax.

A major achievement of the year is that six hotels are out of the red with two of them—Qutab in Delhi and Airport Ashok in Calcutta—converting a loss of Rs 17 lakhs each into a sizeable profit of nearly Rs 8 lakhs and Rs 6 lakhs respectively. With this, twelve out of twentyone of ITDC's major hotel units are now making profits. Of the remaining hotel still in the red, nearly all of them have considerably reduced their losses.

Top earners in ITDC's Ashok Group are the flagship in Delhi, the Ashok, which made a profit of Rs 1.53 crores, Akbar's profit is a record Rs 66 lakhs and Lodhi over Rs 15 lakhs.

ITDC's transport division, which over the years has been making losses, made a profit of more than Rs 12 lakhs against a loss of nearly Rs 16 lakhs in the previous year.

Duty-free shops too have considerably improved their performance; their profit has gone up from Rs 40 lakhs to Rs 59 lakhs.

Instrumentation Limited

The year 1981-82 just concluded has seen phenomenal growth of the company in all its operations. Some of the major highlights are: Production of the company during the year 1981-82 amounted to Rs 3060.71 lakhs as against Rs 2235.50 lakhs achieved in 1980-81 representing an increase of nearly 37 per cent; and the turnover of the company also stepped up to Rs 5200 lakhs recording an increase of nearly 27 per cent over the previous year's achievement of Rs 4093.62 lakhs.

Announcing the provisional financial results for the year 1981-82, Brig Y. Nirula, Chairman-cum-Managing Director, Instrumentation Limited said that the company has shown phenomenal growth in all its activities and it is expected to earn a profit of Rs 300 lakhs before tax, but after providing for depreciation and interest charges. Both the plants at Kota and Palghat did well and increased their production targets set for the year.

The company has received orders worth nearly Rs 40 crores resulting in its outstanding order position as on March 31, 1982 being nearly Rs 87 crores. The company is facing this severe competition by improving productivity in terms of both production and turnover/employee for the whole company as well as individual units as well as by reducing prices where necessary. Among the noteworthy orders received this year is the turn-key order for complete instrumentation of paper plants at Cachar & Nowgong from the Hindustan Paper Corporation for the modernised P-3000 range of pneumatic instruments.

Brig Y. Nirula further added that the company this year achieved major success in commissioning the first unit of Super Thermal Power Station at Singrauli being set up by NTPC.

The company continues to lay more stress on R&D and import substitution work and in this regard the post of the head of R&D has been upgraded to that of General Manager. The company received this year a Bronze Shield Award from the Director General (Technical Development) for Import Substitution of solenoid valves developed for use in atomic power stations. Not only this, several products have been translated from design to regular production and these have been well received in the market.

Research Institute

At the Palghat plant the company has proposals to set up a Fluid Research Institute with the help of UNDP. This proposal has been approved by the Government.

The company continues to attach considerable attention to this important activity and this year orders worth nearly Rs 250 lakhs were placed on ancillary industries and small industries as compared to Rs 200 lakhs placed last year.

A joint sector project with Rajasthan State Industrial Development and Investment Corporation Limited (RIICO) for manufacture of Electronic Milk Analysers has already been reported. With the formation of this new company-REIL work has now commenced in full swing at Kanakpura-Jaipur. The project envisages the production of Milk Analysers for measuring fat contents in a given milk sample.

In order to meet the competition from within the country as well as from abroad, the company has some planned schemes for implementation during the Sixth Five Year Plan which are in various sta ges of formulation. The maj schemes pertain to micro pr cessor based control instrume tation systems and special typ of control valves. Efforts ar also being made to undertak exports and manufacture some items for Defence appl cations which are analogous our present range.

Direction of Foreign Trade

With the diversification exports to assist Europea countries and exploration new markets in Africa, India having a favourable trad balance with these two region However, as a result sizeabl increase in the value of impor of POL and other essentia products such as fertiliser vegetable oils, chemical machinery, transport equipment and other capital good the trade deficit has tended t widen in respect of Wes Europe, America and Asia This has been stated in th annual report of the Ministr of Commerce for the yea 1981-82.

The report points out tha our exports to East Europe an Africa in 1980-81 increased by 66 per cent and 23.1 per cen while exports to West Europ and Asia declined by 15.9 per cent and 4.7 per cent respectively. Among East European countries, exports to USSR increased by 81 per cent. Although there has been increases in our exports to Gulf countries, viz Saudi Arabia, UAE and Iran, the offtake by industrialised countries generally suffered a decline in 1980-81. According to the report, during the first half of 1981-82, exports have recorded a fairly satisfactory performance in rcepect of North America and East Europe. with the former increasing by 29.7 per cent and the latter by 42.3 per cent. Lower growth rate was recorded in respect of EEC (8.4 per cent), ESCAP (12.6 per cent), and rest of Asia (9.4 per cent). While exports to USSR increased by 41.1 per cent, those to the USA grew by 31.3 per cent. In const to a decline in 1980-81, re was a remarkable increase exports to the UK in the st half of 1981-82 by as much 42 per cent. In the case of er EEC markets such as est Germany, the Netherds and Italy, there was not ich of buoyance in exports.

heat Procurement ice

The procurement price for eat for 1981-82 has been ed at Rs 142 per quintal. is price would be applicable all States and State proement agencies, Rao Birena Singh, Union Agriculture nister announced in Lok bha recently.

The price announced by the inister is the same as recomended by the Agricultural ices Commission. This arks an increase of Rs 12 a intal over the price fixed for e last season.

Rao Birendra Singh made e announcement at the fagd of the day when the House is discussing the demands for ants. Several members ring the debate had urged e Government to announce e support price of wheat.

Rao Birendra Singh made no ention of the issue price of heat. He said the procureent price would be the same r all States and State prorement agencies.

lible Oils Supply

Government has taken severl measures to meet the emand for edible oils in the untry. The important among em are: Continuing import adequate quantities of edible ls; Supply of imported oils rough the public distribution stem; Supply of imported oil the vanaspati industry accoring to certain norms; and igorous enforcement of the torage Control Orders.

hield for MICO

Motor Industries Co Ltd MICO), Bangalore, has been warded the top exporter's hield by the Engineering Export Promotion Council for utstanding performance in exorts in the Southern Region consecutively in 1979-80 and 1980-81. The awards were presented by Mr Veerendra Patil, Union Minister for shipping and Transport, at a function held in Madras on April 10, 1982. MICO exports reached Rs 105.58 million in 1981, as compared to Rs 93.05 million in 1980. MICO exports alone exceeded the combined total of all engineering exports from the States of Kerala and Andhra Pradesh.

Oil Production in 1982

The indigenous production of oil during 1982 is expected to meet nearly 60 per cent of the demand. The crude availability in the country is expected to be 20.5 million tonnes against the expected demand of 35.3 million tonnes. Petroleum products to be imported during 1982 will be about four million tonnes. Giving this information in Lok Sabha recently, the Minister for Petroleum, Chemicals & Fertilisers, said that the proposed import of crude oil during 1982 is of 14.4 million tonnes valued at about Rs 3,200 crores at the prevailing prices and exchange rates. The provisional figure for 1981 is 15.55 million tonnes valued at Rs 3760 crores.

As per the approved Sixth Five Year Plan, the ONGC has a target of production of 25 million tonnes per year by 1984-85. Production programmes are being accelerated to this effect and a 20 year perspective plan is also being prepared for oil exploration and production. Crude oil was discovered during 1980-81 onshore in Lohar structure of Gujarat and Bogapani of Assam and offshore in R-7 and Godavari G-1. More wells are being drilled in these fields to assess the potential of the area further.

Both ONGC and Oil India Ltd are constantly making efforts to have self-reliance in technology. Foreign assistance is being sought only in selected areas of technology depending upon their needs. In respect of ONGC, CGG of Erance is conducting seismic surveys in J & K and Himachal Pradesh. Two Indo-Soviet seismic parties are doing surveys in Tripura and West Bengal. In Tripura, a well on Rokhia structure is being drilled under a service contract by the Soviet team. In respect of OIL, Geophysical Inc. of USA is conducting seismic surveys in onland Mahanadi region. The data concerning Mahanadi offshore is being revaluated by OIL in consultation with the experts of McCord-Lewis Energy Services of USA.

Pulses Production

Measures are being taken to achieve a target of 135 lakh tonnes of pulses during 1982-83, as against this year's esti-

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Shri Ram Fibres Limited

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Hemkunt House, 6, Rajendra Place
Pusa Road, New Delhi-110008.

NOTICE

It is hereby notified for the information of the public that Shri Ram Fibres Limited proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 22 of the Monopolies Restrictive Trade Practices Act, 1969, for approval for the establishment of a new undertaking engaged in the business of manufacturing and selling Automotive Electricals comprising of 150,000 Nos. Alternators/Generators with or without vacuum pump. 150,000 Nos, Starter Motors, 100.000 Nos, Wiper Motors and parts thereof. The other particulars of the proposed new undertaking are as under :

(i)	Name of the proposed undertaking.	The proposed undertaking will be a division of Shri Ram Fibres Limited.
(ii)	Name(s) of person(s) or authority/authorities proposing to establish the new undertaking.	Shri Ram Fibres Limited will be the proprietors of the proposed undertaking.
	Where it is a body corporate furnish details of its management structure together with those of the proposed undertaking.	Shri Ram Fibres Limited is managed by a Managing Director under the guidance and supervision of the Board of Directors of the Company.
(iii)	Capital structure of the applicantpe rsons or authority and of the proposed undertaking.	Capital structure of Shri Ram Fibres Limited as on 30th June, 1981 is as under : Authorised : Rs 1000 lacs Issued and subscribed Preference : Rs 40 lacs Equity : Rs 407 lacs Total : Rs 447 lacs
(iv)	Proposed location of the new undertaking.	The new undertaking will be established in Himachal Pradesh or U.P. or Punjab or Rajasthan.
(v)	Brief outline of the cost of the project, the scheme and sources of finance.	The estimated capital outlay in the project will be approximately Rs 10 crores. The project will be financed partly from internal accruals and/or fresh capital issues and debentures. Balance will be financed from long term loans from financial institutions, scheduled banks etc,

Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhawan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

for Shri Ram Fibres Limited
D.N. SHARMA
Secretary

Dated : 8-4-1982

mated production at 125 lakh tonnes. A Centrally sponsored scheme on development of pulses is in operation to motivate farmers in improved package of practices for production of pulses. State officials were requested to take full advantage of the funds available under the different components of the scheme. The States were requested to launch a campaign for summer moong at the district and block level and form coordinating committees at all levels to help the farmers with electricity, seeds, water, rhizobium culture and pest management.

Timely availability of seeds, rhizobium culture, fertilizer, irrigation water and power would be given. Improved cultural practices like timely sowing, use of phosphatic fertilizer, weeding, plant population, would be encouraged. It was suggested that in States like Gujarat and UP, summer moong can be inter-sown with cotton and sugarcane, besides introducing improved varieties of moong seeds. Nine thousand quintals of certified seeds of improved varieties of summer moong have already been distributed to the farmers through the National Seeds Corporation and the State Farms Corporation of India as compared to 4,000 quintals during the previous season. Fifty thousand minikit packets of improved varieties of moong were also distributed free to the farmers in moong producing States.

Exports of Meat and Barley

The Commerce Ministry has issued two notifications relating to the export of barley, maize and meat of sheep during the current financial year.

The public notice on barley and maize says that it has been decided, on a review of the position, that export of these two items will be allowed within a limited ceiling on first-come, first-served basis against 100 per cent confirmed irrevocable letters of credit only. The ceiling in respect of these commodities have been placed at the disposal of the Joint Chief Controller of Imports and Exports, Bombay.

It has also been decided that export of maize will be allowed by the registered cooperative societies against a ceiling specifically earmarked for them.

Export of these two commodities was canalised through the State Trading Corporation within a limited ceiling under the current year's policy.

Rupee-Pound Exchange Rate

The rupee has become dearer by 5 paise against the pound sterling, following its upvaluation by 0.30 per cent on April 16. With this revision, the 28th this year, the middle rate per pound appreciated to Rs 16.55 from Rs 16.60.

The new RBI spot selling rate £ 6,0277 corresponds to Rs 16.59 and spot buying rate £ 6,0569 correspounds to Rs 16.51.

Duty-free Scheme for Tyres, Tubes

The Commerce Ministry on April 16 rectified the inadvertent lapse by including tyres and tubes under the duty-free scheme for their raw materials. This export-import link scheme was announced by the Ministry on March 2 last year. But evidently it did not include it in the current year's import policy. The public notice has done so. There are no changes in the quantity of raw materials to be imported against the export of tyres and tubes under Appendix 19 as announced on March 2.

Railways Earnings from Indrail Tickets

Earning from the sale of tickets under the scheme "Indrail Pass Tickets", introduced in June 1977 have been progressively increasing. During 1980-81, the total number of tickets sold were 20,820 and the railways earned about 12,11,554 US dollars. The earnings during 1978-79 and 1979-80 were 862,561 and 914,454 US dollars respectively.

According to the figures so far available, tickets worth 10,30,151 US dollars were sold during the first nine months (April-December) of 1981-82. Total revenue earned by the railways under the scheme up to December 1981 comes to 45,31,917 US dollars. The Northern and Western Railways sold the maximum number of tickets and earned a major portion of the foreign exchange. "Indrail Pass" tickets enable foreign nationals or Indians residing abroad to travel to any extent and by any train throughout India. These tickets for which payment is to be made in foreign exchange, are available for six validity periods—7, 15, 21, 30, 60 and 90 days.

Rashtriya Ispat Nigam

The Union Minister of Industry, Steel and Mines, Mr Narayan Datt Tiwari recently inaugurated Rashtriya Ispat Nigam Ltd, a separate company, directly accountable to Government for implementing the steel plant project at Visakhapatnam. The first meeting of the Board of Directors of the new company was also held recently. Rashtriya Ispat Nigam, responsible for implementing the first steel plant at Visakhapatnam, has already made considerable progress. Built with Soviet technical and economic cooperation, this will be the most modern steel plant to be set up in India, with many technological "firsts" like selective crushing with pneumatic separation of coal, 7m tall batteries with dry quenching of coke, 3,200 cu.m. blast furnaces, with conveyor charging and bell-less top equipment and cast house slag granulation, 100 per cent continuous casting of liquid steel and high speed sophisticated rolling mills. This 3.4 million tonnes plant is to be commissioned by end of 1987, but the first stage units equivalent to 1.2 million tonnes of liquid steel is to go into production by the end of 1985 or early 1986.

In his inaugural address, the Minister welcomed the Board of Directors and said that timely implementation of this
3.4 million tonne integrat
steel project at Visakhapatna
is the primary task before t
new company. It is a challen
ing task, calling for thorou
planning and speedy executi
He expressed the hope t
the new company will be a
to accelerate the tempo
work and commission the pla
in time. Against an estimat
Rs 450 crores worth of ci
works, works worth about
205 crores have been award
The balance civil works
under finalisation. The foun
tion for the first blast furna
has been concreted and fou
dation works in coke ove
sinter plant and auxilia
shops are under progre
Against a budget provision
Rs 120 crores during 1981-
actual expenditure has b
around Rs 140 crores. Ab
95,000 tonnes of equipme
69,000 tonnes of structu
and 58,000 tonnes of refrac
ries have been ordered. Equ
ment from USSR has alrea
started arriving at Visak
patnam.

The State Government
provided water and po
at construction site. A railw
siding has been comm
sioned. MN Dastur & Co
Calcutta are the principal c
sultants for the project wh
MECON are the consult
for the coke oven batteries.

Equipment for Postal Services

Certain specialised mecha
cal equipment and aids
planned to be supplied to
postal branch of the P
Department during the
period 1982-85. Equipme
of general use in the po
wing, like office furnit
weighing scales, filing c
nets, letter boxes and post
cabinets, bags, stamps
seals forms and stationery
provided regularly as
needs of various units.
demand assessments are m
according to immediate n
or annual forecasts and
curement action taken, m
through DGS & D.

The following material
mechanical aids and eq
ment have been planned
the years 1982-85 : 1. C

egisters—390; 2. Stamp ancelling Machines—20 (Im-orted); 3, Bag Washing lants—11; 4. Bag Dedusting lachines—99; and 5. Con-eyors—2

In addition to the above,)0 Robotron Electronic Ad-ing and Listing Machines re being imported during 982. Additional orders have een placed for ten similar nachines with Messrs. Bharat lectronics Ltd and order for en more machines is likely to e placed on another firm.

UC on Telephones

The Public Undertaking Committee (PUC) of Parlia-nent has expressed concern ver the steadily deteriorating elephone system in the coun-ry. "The phenomenon of ead telephones, wrong calls, ross talks and other distur-ances, not to speak of over-illing, is a common occur-ence," the committee said in ts 38th report.

Against this background, PUC has reviewed the quality of the products of ITI and its R and D activities.

The committee felt that the roduction engineering and uality control in ITI was not ound. ITI informed the ommittee that the faults in he system were mainly due o technological deficiencies nd not to any manufacturing efects in equipment.

Of the defects in the telephone system, 50 per cent is accounted for by cable faults, 15 to 20 per cent by the faulty telephome instruments, 10 per cent by the faults in switching equipment and the rest by a variety of factors, including the human element.

The committee notes with regret that India is at least a decade behind other countries in the telecommunication field. Limited resources for R and D, unreliability of components and sub-systems and lack of product engineering expertise have hindered development so far.

"It is a pity that during the last 30 years ITI could not perfect even the telephone instrument. The latest design (677) with the Japanese dial, though an improvement over the present design (671) is not reportedly free from some major defects associated with the receiver and the transmitter".

The committee has urged the Government to take an early decision on the import of technology for manufacture of telephone instruments which was hanging fire since 1977.

The committee was not impressed by the current level of investment in R and D activities of ITI. Capital investment of only Rs 10 crore has been made so far and 80 per cent of this has been made during the last 5 years.

Modernisation of Coir Industry

The Indian Coir Association Chairman, Mr K. Sugunendran has called for modernisation and mechanisation in the coir industry to salvage it from the current crisis. Addressing the 26th annual general meeting of the association recently in Cochin, he said the virtual ban on mechanisation in Kerala had compelled coir units to migrate to the more hospitable surroundings in the neighbouring States. He said this had resulted in Kerala losing its near-monopoly position in the production of coir, while the total production of coir fibre remained steady at around 160,000 tonnes, the share of Kerala had dropped from 98.12 per cent during 1971-72 to 67.75 per cent during 1980-81.

Mr Sugunendran said the seriousness of the situation could be gauged from the fact that production of yarn and coir products in Kerala had recorded significant decline to the detriment of employment opportunities. Mr Sugunendran said the decline in export of coir and coir products had been drastic in the past two decades. From a level of 68,000 tonnes in 1961, exports of coir climbed down to 52,000 tonnes in 1971 and further slumped to 28,000 tonnes in 1981. He blamed the Kerala Government for the situation and alleged that the Government prevented the industry from achieving greater efficiency through modernisation of the manufacturing process and reduction in costs, by yielding to protests from workers.

DCM-Toyota Tieup

DCM and Toyots have finalised their collaboration arrangements to manufacture in India light commercial vehicles. The agreement for this was signed recently between Dr. Vinay Bharat-Ram, Executive Director of DCM and Mr Eiji Toyoda, President, Toyota Motor Co. Ltd., and Mr Sholchiro Toyoda, President of Toyota Motor Sales Co. Ltd. Toyota is the second largest automoblie company in the world and the largest in Japan. Steps have separately been initiated for a joint venture Company to be set up in the name "DCM TOYOTA LIMITED". The plant for manufacturing 15,000 light commercial vehicles will be set up in a backward district in Uttar Pradesh. It may be recalled that DCM had obtained a letter of intent in May 1981 for setting up of a manufacturing capacity for 15,000 light commercial vehicles. Papers are now under submission to governmental authorities for conversion of the letter of intent into an industrial licence.

Import of Designs

Thirteen Indian companies having foreign equity were allowed to import designs, drawings and technical consultancy services from foreign firms during the period April 1, 1981 to March 31, 1982. This information was given in Lok Sabha recently by the Industry Minister, Mr N.D. Tiwari.

The names of these companies, with approved amount for such imports under the Technical Development Fund Scheme within brackets are: Stovec Screen India Limited, Bombay ($105,000), Ashok Leyland, Madras (£116,100, with royalty at the rate of three per cent), Mahindra Owen Ltd, Pune (£20,000) Usha Martin Black Ltd, Calcutta ($ 172,800), National Organic Chemical Industries, Bombay ($250,000), Mopeds India Ltd, Tirupati (12.9 lakh French franc), Mahindra and Mahindra Ltd, Bombay (161,250 DM), Daver Engineering Private Ltd, Bombay ($105,000), Garware Paints Ltd, Bombay ($225,000 with royalty at the rate of five per cent), SLM-Maneklal Industries, Ahmedabad (40,000 French franc with royalty at the rate of two per cent), Escorts Ltd, Faridabad (50 million yen), Spaco Carburetors (India) Ltd, Pune ($250,000) and Indian Oxygen Ltd, Calcutta (£60,000).

Names in the News

Mr A.J.A. Tauro has taken over as Chairman, Indian Oil Corporation Limited. Prior to this appointment Mr Tauro was the Chairman and Managing Director of Madras Refineries Ltd. Mr Tauro continues to hold the charge of Madras Refinery also.

Mr M.V. Subbiah has been elected Vice-President of Association of Indian Engineering Industry (AIEI) for the year 1982-83 at the 8th Annual Session of AIEI held recently. Mr Subbiah, who is 43, has studied at the University of Aston, Birmingham (UK) specialising in "Industrial Administration". Mr Subbiah has also completed a programme on Management Development at the Harvard Business School, USA.

Mr Ranji Bhandari, Joint Managing Director, JMA Industries Ltd has taken over as Chairman of the Association of Indian Engineering Industry (Northern Region) for the year 1982-83. A graduate in Mechanical Engineering from Loughborough College UK, and AMP Graduate from Harvard Business School, USA, Mr Bhandari has been the past President of All India Automobile and Ancillary Industries Association.

Mr Kalyan Banerji has taken over as executive director of Export Import Bank of India. Mr Banerji was General Manager, Bank of Baroda.

COMPANY AFFAIRS

Shalimar Paints

THE PROFIT of Shalimar Paints Ltd has amounted to Rs 1.63 crore for the year 1981 against Rs 1.05 crore in the previous year. A sum of Rs 17.77 lakh (Rs 6.93 lakh) has been provided for depreciation. Out of this amount Rs 1.02 crore (Rs 68 lakh) has been provided for taxation, Rs 34.89 lakh (Rs 15.24 lakh) has been transferred to general reserve and Rs 4.50 lakh (nil) has been transferred to investment allowance reserve, leaving a balance for disposal of Rs 21.77 lakh (same). A taxable ordinary final dividend of 8 per cent has been declared and this together with an interim of 7 per cent makes a total dividend of 15 per cent (same) for the year.

Jaipur Polyspin to Enter Market

Jaipur Polyspin Ltd, jointly promoted by Naga Hills Tea Company Ltd and Rajasthan State Industrial Development and Investment Corporation Ltd, will be entering the capital market on May 3, 1982 with an issue of 10,500 equity shares of Rs 10 each for cash at par.

Mr S.L. Dhanuka, Chairman and Managing Director of Jaipur Polyspin said recently that the issue is to meet a part of the finance required for their proposed spinning mill project for the manufacture of synthetic blended yarn. The project is being set up at Ringas, a notified backward area in the Sikar district of Rajasthan with a complement of 13,440 spindles.

The total cost of the project would be about Rs 6 crore of this, the promoters' share in equity capital would be Rs 1.10 crore (Naga Hills Rs 67 lakh and RICCO Rs 43 lakh). Secured loans from various financial institutions such as Industrial Development Bank of India, Industrial Finance Corporation of India and Industrial Credit and Investment Corporation of India Ltd are placed at Rs 3.85 crore.

Mr Dhanuka said that the production from the project would start from this month itself. The estimated sales during the first year of operation are placed at Rs 7 crore at 60 per cent capacity utilisation. The company would achieve full utilisation of the capacity in the second year.

Telco Output Up

The Tata Engineering and Locomotive Co. produced 46,225 commercial vehicles during the year-ended March 1982 against 36,312 vehicles in the preceding year and 30,232 vehicles in 1979-80. The sales turnover for 1981-82 will exceed Rs 800 crore against actual turnover of Rs 609.65 crore in 1980-81 and Rs 448.27 crore in 1979-80.

Tech Nova Graphic

A new range of reprographic films for extensive use in engineering, electronics, printing, textile, architecture was introduced by a Bombay-based firm, Tech Nova Graphic Systems. The films will facilitate tracing, duplicating, printing and will have erasable and reprintable properties.

Announcing this recently the company's Managing director, Mr Pranav Parikh, said the polyester-based film would initially be marketed only for engineering industry applications and later would cater to other industries. The film is being made for the first time in India and will have no imported components or materials. The company has a plant with an installed capacity of 200 tonnes of film per annum. The present demand of the country will easily be met by the company and part of the production may be exported, Mr Parikh added.

The company's Technical Director, Mr Mathew Thomas, said Tech Nova was the third company in the world to have as comprehensive a range of films as the others, coupled with an extensive R and D network. The cost and quality are comparable with international standards and companies like Larsen and Toulbro, BHEL and Mazagaon Dock have already adopted the process.

The present demand for the films is about 120 tonnes per annum and company directors envisage this will jump to about 400 tonnes in the next few years.

Lathia Rubber Adopts New Process

Lathia Rubber Manufacturing Co Ltd has adopted a new process for manufacturing rubber ebonite rollers, using the Mitex Wool Covering Process. This was announced by the company's Managing Director and Chairman, Mr S.V. Lathia at a seminar on the process held in Bombay recently.

The company, a leading rubber articles manufacturer, had adopted the new method in a bid to improve quality of the finished product. The company would be the only one in India using the process, he said.

Mr Hans Knott, the inventor of the Mitex process and Managing Director of Mitex Gummiwerke of West Germany said 62 companies in the world were using this new technique and Lathia Rubber would be the 63rd. Earlier Mr Nandial R. Shah,
partner of Calico Indust
Engineers welcomed the gu
and Mr D.P. Lathia propo
a vote of thanks.

Electra (India)

Electra (India) Ltd is en
ing the capital market sho
for raising Rs 75 lakhs thro
the sale of 750,000 equ
shares of Rs 10 each for c
at par. The proposed is
is to raise capital to meet
additional working cap
requirements of the compa
and to enlist the shares
the stock exchanges, acco
ing to a press release issu
by the company.

The company is now ma
facturing distribution as w
as power transformers as
national and internatio
standards up to 5000 K
in 33 KV class at its plant
Partapur Industries Esta
Meerut (UP). It has its o
lamination division and a
manufactures pressed st
radiators for distribution a
power transoformers.

The spectacular growth
the company is evident fr
the fact that its annual tu
over has multiplied ei
times in just eight years fr
around Rs 105 lakh in 19
to Rs 835 lakh in 1981. T
gross profit has increas
from Rs 17 lakh in 1973
Rs 196 lakh in 1981. Sa
in the first eight mon
(May-December, 1981) ha
been Rs 671 lakh with gr
profit of Rs 169 lakh.

The expansion plans
the company include ma
facture of toroidal cores a
laminations for instrum
and communication tra
formers and stampings
electrical rotating machine
The project for the manuf
ture of power transformers
the 132 KV cases is in
process of finalisation.

Bonus by Polyolefins

The Directors of Poly
fins Industries have propo
a bonus issue of one for th
shares and an unchanged d
dend of Rs 16 per share
the year 1981.

The issue of the bo
shares will capitalise Rs 32

lakh and the dividend will absorb Rs 1.54 crore (Rs 1.44 crore).

The gross operating profit has amounted to Rs 768.15 lakh in 1981 as compared to Rs 560.12 lakh in the previous year.

Production and sales of high density polyethelene in 1981 have been 35,225 and 31,447 metric tonnes, processed products 4,088 and 3,813 metric tonnes and rubber chemicals 1,580 and 1,712 metric tonnes, respectively. These compare with the previous year's figures of 20,825 and 19,051, 2,588 and 2,483 and 1,265 and 1,424 metric tonnes, respectively.

Calico Debentures

Call rights convertble debetures have been approved as a public security by the Gujarat Government. As a result of this, these debentures will be now eligible for investment by charitable trusts in Gujarat without obtaining prior aproval of the Charity Commissioner.

R.J. Clad Metals

R.J. Clad Metals is entering the market on April 28 with a public issue of 360,000 equity shares of Rs 10 each to raise a part of the capital for its Rs 1.88-crore project of manufacture of clad materials of copper, brass, aluminium, steel and stainless steel with an annual capacity of 1,200 tonnes.

Clad metals are a unique metal form consisting of two or more layers of dissimilar metals or alloys bonded together in a permanent bond without the use of adhesives or other intermediate materials. This concept is new in the context of Indian economy. Clad metals enable economical use of scarce, costly and imported raw materials.

The company has entered into technical collaboration agreement with Minuteman International of USA. The company's plant is located at Dewas in Madhya Pradesh and is expected to start commercial production by June, 1982.

According to the Dr N.L. Hingorani, Chairman, the break-even point is estimated at 45 per cent of capacity utilisation. The company expects to achieve capacity utilisation of 30 per cent in the first year, 60 per cent in the second year and 70 per cent in the third year. This should result in a turnover of Rs 1.50 crore, Rs 3 crore and Rs 3.50 crore, respectively, in the first three years of production.

Borosil Glass to Issue Bonus Shares

The Directors of Borosil Glass Works Limited have proposed to issue bonus shares in the ratio of one share for every two shares held. They have also proposed to maintain the equity dividend at 20 per cent for 1981.

The company has shown improved performance during 1981. Sales during the year have risen by 13 per cent from Rs 9.55 crore to Rs 10.78 crore and profit before tax by 16 per cent from Rs 2.77 crore to Rs 2.64 crore. A sum of Rs 6.92 lakh (Rs 4.70 lakh) was provided for depreciation and Rs 1.73 crore (Rs 1.55 crore) for taxation. Rupees 4.03 lakh has been trans ferred to the investment allowance reserve, the first year in which the glass industry was entitled to this allowance.

Modern Syntex to Diversify

Modern Syntex (India), Alwar, is embarking on a Rs 150-lakh diversification programme to increase acrylic spinning and introduce coarse counts of yarn in polyster viscose range to increase its production from 4,000 tonnes to 5,000 tonnes per year. The company hopes to complete implementation of its Rs 140-lakh balancing scheme to achieve better productivity without compromising with quality.

The company has reported steady progress during the year ended December31, 1981, with a higher gross profit of Rs 100.88 lakh on a turnover Rs 29.32 crore as compared to Rs 80.24 lakh on a turnover of Rs 13.89 crore in the previous year. The Directors have recommended an unchanged dividend of 12 per cent.

After providing Rs 49.49 lakh (Rs 37.96 lakh) for depreciation, the net profit comes to Rs 51.39 lakh (Rs 42.28 lakh). The dividend will absorb Rs 13.20 lakh.

With better capacity utilisation and successful implementation of 7,680 spindles under the third phase expansion programme, at a cost of Rs 308 lakh, the company's production has risen from 18.56 lakh kg to 33.44 lakh kg.

The company has increased the installed capacity of its captive power pant to 2,960 KVA from 1,910 KVA to meet the power deficiency. However, despite all the best efforts, there was a production loss of 110,000 kg of yarn. The company has also incurred extra cost to the extent of Rs 20 lakh in power since diesel generation cost is much higher than hydel/thermal power.

The Government of India has reorganised the excise duty structure aplicable to man-made fibre and yar encouraging manufacture o reasonably priced durabl blended cloth. With the reduction in excise duty and implementation of the balancin scheme the company expect its profitability for the curren year to improve.

Seven Seas

Seven Seas Transportatio has earned a gross profit of Rs 4.10 crore for 1981 as against Rs 4.30 crore in the previous year following freigh and charter-hire earnings of Rs 13.04 crore against Rs 13.38 crore and interest and other income of Rs 53 lakh against Rs 111 lakh.

After depreciation of Rs 1.89 crore (Rs 1.73 crore), there is a net profit of Rs 2.21 crore compared to the previous year's Rs 2.52 crore. No dividend has been recommended. The profit has been utilised to reduce the accumulated deficit to Rs 1.07 crore.

Orissa Industries

The Directors of Orissa Industries propose a 12 per cent equity dividend for the year ended October 31, 1981, as against 10 per cent in the previous year.

The turnover has increased

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to Rs 1594 lakh from Rs 1076 lakh. The gross profit has risen to Rs 79.93 lakh (Rs 55.30 lakh). After providing for depreciation Rs 19.18 lakh (19.44 lakh) and investment allowance reserve Rs 9.71 lakh (Rs 17.45 lakh), the surplus is placed at Rs 51.04 lakh (18.41 lakh). The proposed dividend will absorb Rs 13.11 lakh (Rs 10.93 lakh). After making adjustments the reserve and surplus stands at Rs 142.91 lakh (Rs 89.11 lakh).

The expansion of the main unit at Lathikata in Sundargarh district of Orissa is progressing satisfactorily and is likely to be completed within a year's time.

Punjab & Sind Bank

The Punjab and Sind Bank will be opening international banking divisions at Bombay and Madras soon, according to Chairman and Managing Director, Mr Mohinder Singh. It has already these divisions at New Delhi, Jullundur, Ludhiana and Calcutta.

The Chairman said that the bank will strive to become an effective instrument for implementation of national policies and will help in removing poverty, especially among the weakest of the weaker sections of the society. It will also try to minimise regional imbalances apart from social and economic disparities through deliberate interventions. It is in this context that the 20-point economic programme has to be supported.

Mr Mohinder Singh said that the bank will accelerate its growth through planning. It hopes to embark upon a human research development strategy and programmes to encourage involvement of its employees. It also intends to bridge the management gap by making organisational changes to perform its new roles and activities efficiently.

Meanwhile, 1971-81 has been a decade of phenomenal progress for the bank. Deposits have gone up from Rs 26.61 crore in 1971 to Rs 702 crore in 1981, advances from Rs 16.91 crore to Rs 482 crore and the number of branches from 119 to 558. The bank is having lead bank responsibility for Faridkot district in Punjab.

In deployment of credit, the bank is ahead of many others in priority sector advances. In 1980 the percentage of its total priority sector advances stood at 36.32 against 35.20 of all public sector banks. It has also made advances under the 20-point programme, to nearly 15,000 borrowers with outstandings of about Rs 13.73 crore. It has also availed itself of facilities of the ARDC for the last few years and nearly 175 such schemes were in operation during 1981.

The turnover of foreign exchange business during 1981 is estimated to be around Rs 262 crore.

Central Bank of India

In most of the developed countries, 'Credit Cards' are widely in use as an alternative for both currency and cheques. Central Bank of India is the first-ever Indian Bank to have introduced a Charge Card, known as 'Centralcard' on August 11, 1980, as a new dimension to its customer service. In reality, this facility is not an extension of credit facility, but a tool for convenience of the customer. On the occasion of Centralcard's tie-up with the American MasterCard, Mr B.V. Sonalker, Chairman & Managing Director of Central Bank pointed out that Centralcard has more than 2,700 cardholders, and over 650 member establishments are serving cardholders.

Mr Sonalker added further that the Centralcard facility has been found more useful to the businessmen, executives and other salaried class clientele. In order to extend its wings on the international network, Centralcard now ties up its services with 'MasterCard' of America, the largest card-issuing organisation in the world. MasterCard International is a membership corporation of over 24,000 banks and other financial institutions worldwide which issue or honour MasterCards, known as Master Charge Cards. These member-institutions own and control the MasterCard System which use this MasterCard name and service marks to identify financial services offered by members.

IFFCO's Tie-up in Senegal

The Indian Farmers Fertiliser Cooperative Limited (IFFCO) has entered into a international collaboration to set up a joint venture in Senegal (Africa) for production of phosphoric acid and solid phosphatic fertilisers based on rock phosphate available in that country. This was announced by Mr M. Srinivasa Reddy, Chairman, IFFCO while addressing its 9th General Body Meeting recently. He said that IFFCO's participation in the international venture along with Government of India and the Southern Petro-chemical Corporation Limited would ensure an assured supply of 1.10 lakh tonnes of P_2O_5 annually. IFFCO is to get 50 per cent of the acid so imported.

Fenner (India)

Fenner (India) Limited has announced the introduction of a new range of Fenner Fit-and-Forget V-belts. Described as the next generation V-belts, this new range makes available to Indian industry the benefits of the advanced technology currently in use in the West. Longer life, superior length stability and higheri power rating are some of the advantages of the new V-belts. All these factors help cut downtime and boost productivity. Rayon, the standard reinforcement for V-belts in India, has long been discontinued in the developed countries. Basically rayon has poor wet strength and is hygroscopic. This basic characteristic of rayon given rise to irregular shrinkage i length of belts during storag and premature belt failur stretched, heat set reinforcement used in Fenner Fi and-Forget V-belts assure excellent length stability an uniform tensile strengt The new Fenner V-belts hav much greater length stabilit even if stored in the mos humid conditions.

Capital and Bonus Issues

The following companie have been allowed to rais capital. The details are a follows :

Bonus Issues

M/s Ambalal Sarabha Enterprises Ltd—Rs 313.6 lakhs in fully paid equit shares of Rs 10 each in th ratio of 1:5.

M/s Garware-Wall Rope Limited—Rs 36,00,000 i fully paid equity shares o Rs 10 each in the ratio of 3:

Further Issues

M/s Golden Tobacco Co Ltd—Issue of non-convertible debentures of Rs 30 lakhs for cash at par to th public by a prospectus. Th proceeds of the isue will b utilised for meeting the long term working capital requirements of the company.

M/s Walchandnagar Industries Limited—Issue of 10,15 fully paid equity shares of R 10 each to the shareholders o M/s Tiwac Industries Limited, in terms of and in accordance with the scheme of amalgamation sanctioned by th High Courts of Maharashtr and Karnataka.

M/s Diamant Carbon an Graphite Products Ltd—Issu of equity shares of Rs 9 lakhs for cash at par, out c which shares worth Rs 3 lakhs will be offered to th public by a prospectus.

M/s The Andhra Valle Power Supply Compan Limited—Issue of fully pai equity shares worth Rs 4 lakhs to financial institutions, in conversion of a pai of the company's debentur held by them.

eastern ECONOMIST

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This Week

April 21

The Government threw open to large houses and FERA companies more areas of industry with a view to stimulating growth in the core sector.

With an anticipated reduction in the import of crude oil and petroleum products by a million tonne each, the country is expected to save about Rs 700 crores in foreign exchange during 1982-83.

The Life Insurance Corporation of India has whown a record new business of Rs 3,485 crores during the year ended March 31, 1982, registering a 21 per cent increase over the previous year's performance.

April 22

OPEC President, Mr Mana Saeed Otalaba, confirmed that the Organisation of Petroleum Exporting Countries (OPEC) would keep its $34 benchmark price.

Overseas companies, firms and corporations, owned to the extent of 60 per cent by non-residents of Indian origin can now open non-resident (external) rupee accounts and foreign currency non-resident accounts with any authorised dealer in India.

April 23

In a message to the World Conference on the Indian Ocean as a Zone of Peace, which opened in New Delhi, Mrs Gandhi said that for the time being the people may seem helpless, but the will of the people must prevail, she said.

The ruling national front of Malaysia scored a resounding victory in the mid-term general election, securing a two-thirds majority in Parliament.

April 24

According to production statistics released by the Indian Sugar Mills Association, production in the first six months of the current sugar year rose to 59.95 lakh tonnes against 45.50 lakh tonnes during the corresponding period of last year.

April 25

The whole of the Sinai went under Egyptian control as Isreal pulled out of the peninsula, which it captured in the 1967 six-day war.

India and Algeria have agreed to give a "decisive impetus" to their bilateral economic cooperation.

The Election Commission has asked the Chief Electoral Officers of the four States where elections are to be held next month to set up standing committees in each constituency to ensure compliance with the code of conduct.

April 26

The Commander of Argentine forces on the Falkland Islands dependency of South Georgia surrendered after British troops recaptured the Island's two main ports.

Declines in the indices for food articles, food products and non-food articles brought down the official wholesale price index for all commodities, (base 1970) to 275.7 (provisional) during the week ended April 10. Compared to the revised index for the same week last year, inflation came to nil.

April 27

The Government is seeking powers to exempt, by notification, certain industries, services or undertakings from obtaining approval under the Monopolies and Restrictive Trade Practices (MRTP) Act for substantial expansion or for the establishment of any new undertakings. A bill to this effect was introduced by the Minister for Law and Company Affairs, Mr Jagannath Kaushal, in Lok Sabha.

A 24-hour curfew was imposed i Amritsar city following incidents o arson and looting as several towns i Punjab observed partial hartal in protest against the previous day's co slaughter.

eastern
ECONOMIST

Creeping Industrial Liberalisation

THE LATEST change in industrial policy is in keeping with the strategy of creeping liberalisation that we have witnessed for five years now. Apparently nobody is willing to throw the existing irrational structure overboard in one go. It is deemed preferable to offer small and quite arbitrary bits of liberalisation, garnishing them with professions of undying faith in the 1956 Industrial Policy Resolution, socialism, the public sector and other ideological paraphernalia, and justifying the creep forward in the name of pragmatism, productivity and other phrases which beg the key issue. In a system so comprehensively wrapped in red tape, any kind of liberalisation must be welcomed, no matter how slowly it creeps forward. Besides, if you creep long enough you may cover considerable ground. To this extent one can give half a cheer for the new industrial policy, but not more.

The policy provides bigger licensing limits for companies where the best production plus 33 per cent is more than licensed capacity plus 25 per cent—that is, for units where production is more than 94 per cent of licensed capacity. How many such units are there? A study made by Dr S.K. Goyal (which we are carrying in this issue) suggests that only 12.1 per cent of licences have been fully implemented. Since the new policy benefits only those producing more than 94 per cent of licensed capacity, the beneficiaries may be no more than 15 per cent of the total.

Even this grossly overstates the case because of the huge list of excluded items and companies. However, it needs to be said that those companies which do benefit will do so by a significant amount. Hitherto, they could produce up to 156 per cent of capacity (licensed amount plus 25 per cent automatic licensing plus 25 per cent excess production). The new relicensing to best production plus 33 per cent is in addition to the existing provisions of 25 per cent extra through automatic licensing and 25 per cent excess production, making a total of 207 per cent. The figure will be even higher for companies producing more than 100 per cent of capacity (though most such cases relate to drugs or goods reserved for the small scale sector, and are excluded from the new rules).

The 74 special regulation industries excluded from the liberalisation of policy include textiles, sugar, vanaspati and edible oils, leather, flour mills, milkfoods, distilleries and breweries, a wide range of steel products, railway wagons, ACC/ACSR conductors, TV sets, dairy machinery, a wide range of chemicals and pesticides, ferro alloys, computers, and several types of chemical machinery. All these put together must account for more than half the output of the corporate sector. And all items reserved for small scale units are also excluded from the scheme. It applies, therefore, only to a small portion of industrial production in the private sector.

Besides, the enhanced capacity will not be available automatically to MRTP and FERA companies. There will be a case-by-case scrutiny of their applications, and there will be no enhancement of capacity where this would lead to an increase in the dominance of the company. This will in many cases torpedo enhanced capacity where it is urgently needed.

Finally, the new policy has been made subordinate to the drug policy order, ruling out relief for that industry too. At the end of it all, the new liberalisation will benefit perhaps less than 5 per cent of the corporate sector.

The Government has put forward the scheme as part of its effort to make 1982 a Year of Productivity. Surely it is height of hypocrisy to pretend that the enhancement of industrial capacity will result in higher production within 1982. Even if the money and everything else is available, it is impossible to put fresh capacity on stream in such a short period. Again, the logic of the "best production plus 33 per cent" is not clear. Why not the best production plus 40 per cent, or 60 per cent, or 100 per cent? The figure of 33 per cent is quite arbitrary, without any economic justification. The Government has not given us the cost-benefit analysis of licensing procedures. Perhaps it is afraid that such an analysis would be too embarrassing. And so we get a series of ad hoc bits of liberalisation like a medieval lord distributing cash on an auspicious day, instead of a proper system based on economic needs and logic.

The Government has also expanded the Appendix of industries constituting the core sector, where large houses and foreign companies can invest. The number of industries has gone up from 19 to 24. The newly included industries cover printing and rubber machinery, high-technology reproduction equipment, RCC pipes and a few others. This by no means is an impressive expansion, although the inclusion of components extend its scope a bit. But we must no doubt be resigned to creeping liberalisation in this as in all other matters. Here again one is at a loss to understand what the new Appendix has to do with the Year of Productivity. The biggest obstacle to increased production today is not licensed capacity, or licensing permission of any kind, not even infrastructure. The biggest obstacle is credit, and until something is done about that all other issues will pale into irrelevance. If companies cannot get enough credit to finance even existing capacity, how can they suddenly finance a much larger volume of production? The Government may claim that the shrinkage of bank deposits and money supply in the early months of 1982 has caught it by surprise. It is belatedly liberalising credit rules (in creeping fashion, of course). Hence 1982 can only be a Year of Creeping Productivity.

IMF Cracks the Whip

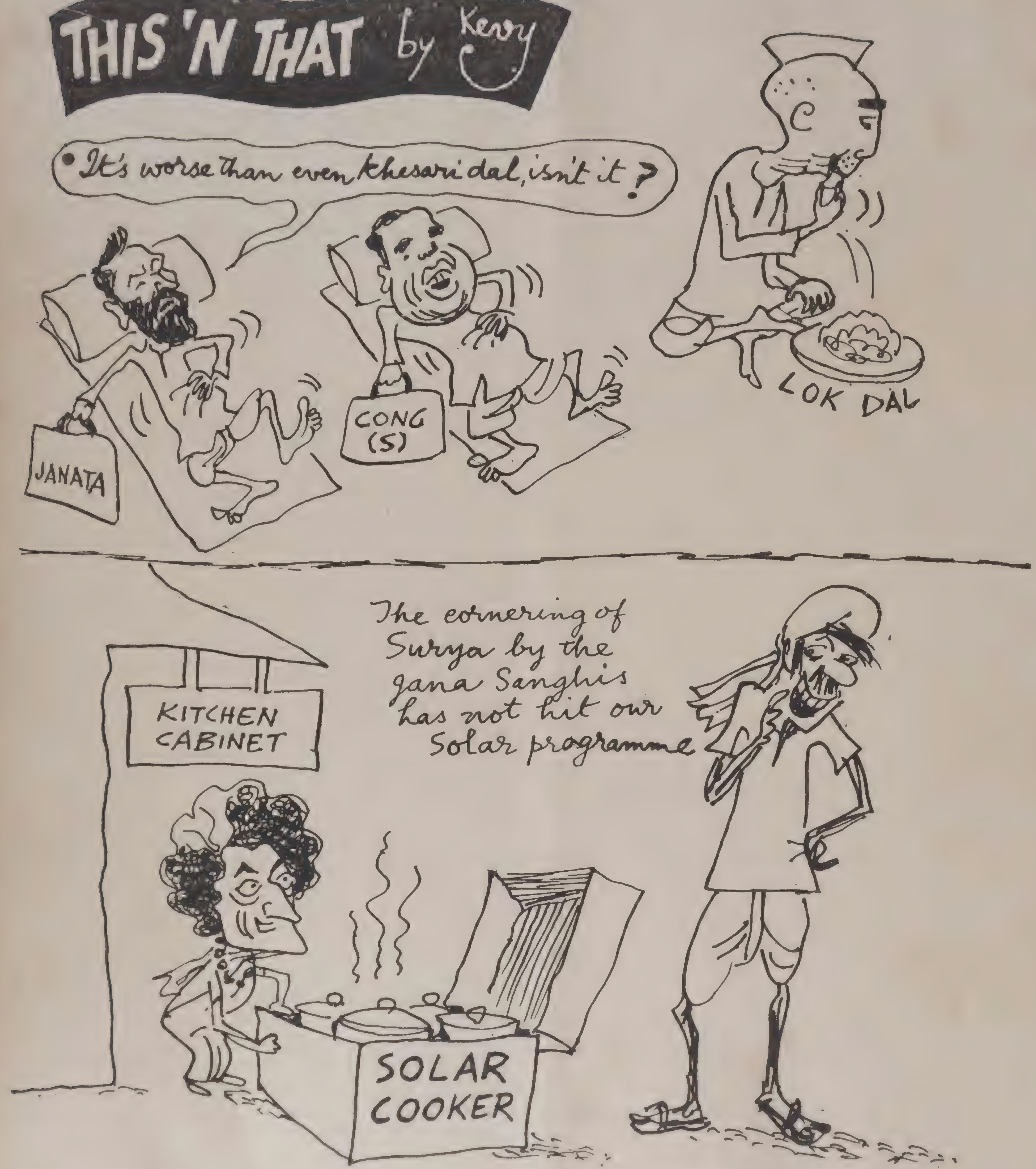
THE INTERNATIONAL Monetary Fund has recently suspended disbursement of more than 25 per cent of the loans made available by it to 15 countries for one to three years under the extended facility arrangement. India does not figure among these. In fact, it has drawn the third and final instalment of SDRs 300 million for the first year, reflecting the commendable job done in the face of many hurdles and tough global trading conditions. The countries affected are Romania, Zaire, Morocco, Bangladesh, Zambia, Grenada, Costa Rica, Tanzania, Guyana, Madagascar, Senegal, Togo, Uganda, Honduras and the Solomon Islands. Assistance to them has been cut off for default on their part to adopt the stipulated policies to put their economies back on the feet. The decision may be modified soon in the case of Romania and Morocco. The IMF feels that there are signs of these two countries fulfilling their obligations under the loan arrangements. But the suspension of assistance raises the important issue of how far the conditions attached to such loans for making structural adjustments in an economy can be fully complied with by the loanees within a short span of time. To add to the travails of the loanees, conditions are sought to be tightened under pressure from the more affluent countries, particularly the United States.

The defaulting countries had been forced to seek IMF assistance for they had been hard hit by the oil price increases of 1979 and 1980 and that too at a time when not only the terms of trade for their exports were worsening but also the outlook for external assistance was dimming. Devaluation under the conditionality clauses in the case of some countries accentuated their woes. Their export netted less foreign exchange owing to the slump in global demand. Imports, on the other hand, went up sharply. The restraint required on credit expansion invariably impinged upon fresh investments. The cumulative effect has been that in most cases, the necessary adjustments in the economy have been found to be politically unfeasible.

Apparently a more realistic approach is called for to the problems of the developing nations; most of the countries to which IMF assistance has been cut off belong to the Third World. Drastic adjustments in their economies cannot be made in a couple of years. Adjustments can be carried out only through injecting fairly large doses of fresh investment and significantly enough in foreign exchange. This is possible either through improvements in the terms of trade, which will narrow down their trade deficits, or through large external assistance on soft terms.

Following the lead given by the United Kingdom, the decision of Austria, Belgium, Greece, Italy and Saudi Arabia to contribute their full shares to the sixth replenishment of the International Development Association, instead of making contributions pro-rata to the US contribution, is a healthy development. Such other countries as West Germany, Canada and France will probably reinforce the British gesture. This should help augment IDA's funds, improving the prospects of somewhat larger assistance particularly to the least developing countries which cannot hope to go in for commercial loans. Ultimately, the developing nations have to be ensured adequate markets for their exports at reasonable prices. This underscores the need for an expeditious resumption of a meaningful North-South dialogue. The assistance by the IMF for overcoming the balance of trade difficulties too has to be made available for larger durations so that adjustment programmes can be well thought of and reasonably phased.

THIS 'N THAT by Kevy


It's worse than even khesari dal, isn't it?
JANATA
CONG (S)
LOK DAL
KITCHEN CABINET
The cornering of Surya by the Jana Sanghis has not hit our Solar programme
SOLAR COOKER

Food Science & Technology
Information Service
14 MAY 1982
C.F.T.R.I., MYSORE

Dry Thoughts

We have long been told that smoking cigarettes is dangerous. We have now discovered that it is especially dangerous in Punjab. The smoking of cigarettes has become a burning issue. It is not just cigarettes that are going up in smoke but houses and shops, thanks to the communal riots that have hit the State. Extremist Sikhs are demanding a ban on the sale and smoking of cigarettes in Amritsar, and have threatened to inundate Hindu shrines with the heads of cows unless the demand is met. On Tuesday a pair of decapitated bovine heads were discovered outside a shrine—perhaps a symbolic blow at that old Congress symbol, a pair of bullocks. In the riots that followed several have been injured and killed. Cigarettes can thus be lethal, causing much more than just cancer.

We are told that the Dal Khalsa is behind the outrage. If so, we can heave a sigh of relief. The Dal Khalsa has very little following. And since various Akali leaders have condemned the decapitation of cows, it looks as though the damage can be contained. But I am not optimistic. It was only a few months ago that some factions of the Akali Dal were planning an identical agitation against the sale and smoking of cigarettes, although they had not thought of cow heads as a tactic. And even though the Dal Khalsa may be a fringe organisation, there is no wishing away the growth of Sikh extremism of other varieties (which have considerable sympathy for the Dal Khalsa).

The most obvious example of this is the popularity of Sant Jarnail Singh Bhindranwale, and the Talwandi group has also made extremist noises. People like Bhindranwale believe that Punjab is for the Sikhs, and that it is Sikh religious leaders and nobody else who will decide what is right and wrong. Given the Sikh taboo on smoking, there is every chance that Bhindranwale and his kind will wage war on the cigarette.

If the fat is in the fire, there is no point in just blaming beards and turbans. The Government itself is responsible for the growth of Sikh extremism because of its lily-livered approach. The first sign of major trouble was the Sikh-Nirankari war a few years ago which culminated in the murder of the Nirankari Baba. The CBI found evidence that damned Sant Bhindranwale. But instead of arresting him like a common criminal, the Government deemed it wise to turn a blind eye to the evidence for political reasons. It felt that the arrest of the Sant would lead to riots, and that it was wiser to keep quite about the murder. This sort of wisdom could, of course, only lead to further murders and a further defiance of the law by the Sant.

BHINDRANWALE was later arrested in connection with the Jagat Narain murder, but he personally decided the day and timing of his surrender to the police after long negotiations in which he harangued them and made thundering political speeches. The evidence against him was far weaker than in the Nirankari case, and there was no follow-up action. So we find that the Sant has gone from strength to strength, defying the Government and getting more and more popular every time because he gets away with his defiance. Had he been tackled firmly in the first instance, all would be well. Now that he has been converted into a hero, it is much more difficult to deal with Sikh extremism. But it is necessary.

What will happen if the anti-cigarette campaign in Punjab spreads ? On its past record, the Government would doubtless like to give in and ban smoking in Amritsar. But this would be patently illegal. Given the situation in Punjab, it is quite possible that a local Sikh judge will declare such a ban to be legal and in keeping with the best Sikh traditions. But the cigarette deale of the State are not going to take th lying down, and an appeal will certain see such a ban quashed. The challen of Sikh extremism has to be met at eve level, from Nirankaris to cigarettes. has to be made clear to them that Punja is not the personal property of Sikh Non-Sikhs constitute something li 47 per cent of the population, and if o includes Chandigarh in the State—a old demand—the share of the Sikh population will fall below 50 per cent.

We are always talking about the nee to protect minorities and minori rights. In Punjab Hindus are a minorit and they are as entitled to their rights Muslims in Uttar Pradesh or Harija in Tamil Nadu. If you listen to t rubbish spoken by Sikh extremists yo will get the impression that they a an oppressed minority. But nothing ca cloak the fact that in Punjab they a the prosperous majority. And if Bhin ranwale and Co. have their way, th will become an oppressive majority.

It may well be that smoking is offe sive to the Sikh religion. But there much in every religion that is offensi to other religions. It is idle to prete that secularism is a natural state affairs. Religious strife has marked m of history for the plain reason th religions are basically contemptuous one another, if not positively antagonist A Christian fundamentalist believes th non-Christians are heathen who w surely go to hell. A Hindu fundamenta believes that all non-Hindus are Mlec chas, outside the pale of civilised socie A Sikh fundamentalist believes that t road to perdition is paved with cigare stubs. All fundamentalists are a fun mental threat to secularism and comm nal peace in India. Let them be d with as such.

—**Swaminathan S. Ai**

New Industrial Licensing Policy

S. K. Goyal

UNDER THE new licensing policy, as announced by Mr N.D. Tiwari in Lok Sabha on April 21, 1982, the Government would regularize excess capacities in the scheduled industries established by private sector companies in violation of the IDRA. The new capacities to be treated as the licensed ones, would be on the basis of the highest production level reached during the past five years. The new approved capacities would not only be at the level of actual production, but would be nearly 66 per cent more than the production level already reached. The new policy is justified on the plea of productivity. What are the implications of the new policy? How productive would this concession be?

Real Implications

To understand the real implications of the new policy one needs to have an objective overview of the licences issued and the degree of their utilisation. Table I shows the level of production as against the size of licensed capacity for 729 companies which are quoted on stock exchanges in India. The data refers to the companies' financial year, ending 1979. The overall picture shows that out of the 2,948 licences held by these companies, in only 186 (6.3 per cent) licences is the level of production higher by more than twenty-five per cent of the licensed capacity. On the other hand, out of the total more than 76 per cent of the licences were being utilised by less than 75 per cent of the capacities licensed. In this framework, if the objective of the new policy is to encourage productivity, where should the action have begun? Should the required policy be to reward those who ave been persistently violating the icensing provisions by producing far in xcess? Or, should the policy be so volved as would assist the 76 per cent o utilise the capacities already licensed?

If the objective of productivity imrovements was to be achieved, the logical and rational policies would be to enquire as to why the capacity utilisation in the private sector was so poor. It is well known that low capacity utilisation in the public sector is often taken as an index of the inefficiency of the Government sector. Executives of public sector enterprises are pulled up for low capacity utilisation, but what is done in the private sector in India is still never discussed openly. If the Government's objective is genuinely to raise production and productivity, the decision required would be to cut down the licensed capacity to the level of actual production, and in lieu of the cancellations, issue new licences in these areas to to those who would implement these in the minimum possible time. Why should there be a 'ban' list or applicants denied licences when the present licence holders were not able to utilise in full the already licensed capacities? By cancelling or reducing the level of licensed capacities in the light of actual production, the Government would be able to end all cases of pre-emption and to reduce the hold of artificial monopolies created and protected by the licensing system. The overall impact of this approach could be the introduction of some rationality in the system.

Apart from knowing the extent of under-utilisation, it is equally relevant to ask : who are those licensees who are not utilising their licences fully? Table II provides an answer. Out of the 2,262 underutilised licences (each being utilised lower than 75 per cent of the licensed capacity), 619 have a zero level of production. Of these, 110 (17.8 per cent) are held by FERA companies and 229 (37.0 per cent) by companies belonging to Indian monopoly houses. Total neglect of utilisation of licences is more common with the FERA and big companies than with smaller Indian companies. If one groups all the 2,262 licences, which remain substantially under-utilised, one finds, once again, that nearly 55 per cent of the licences are held by those companies which are either large houses or constituents of the FERA.

For FERA or big companies the absence of financial resources or technological capabilities could not have been the reason for their poor performance in implementation of the licences held.

TABLE I

Distribution of Licensed Capacities According to the Range of Utilisation

S. No.	Percentage Utilisation	Number of Product Licences	Percentage
1.	0— 25	1357	46.0
2.	25— 75	905	30.7
	0— 75	2262	76.7
3.	75—100	329	11.2
4.	100—125	171	5.8
	75 –125	500	17.0
5.	Above 125	186	6.3
	Total	2948	100.0

At the same time, if the poor performance was due to absence of market demand, the remedial policy framework would have to be wholly different. One would need to identify the reasons as to why larger capacities were licensed than demand estimates. After all, creation of industrial capacities does mean utilisation of national resources. One suspects, however, that the lower level of industrial production, as compared to that which is licensed in the private sector, is due more to the restrictive and monopoly practices resorted to by the licensees, than to other justifiable reasons.

TABLE II

Licensee Categorywise Distribution of Under-utilisation Cases

S. No.	Licensee Category	Range of Utilisation (Per cent)			
		0	Less than 25	25—75	Les sthan 75
1.	Large Houses excluding FCs	229 (37)	521 (38.4)	389 (43.0)	910 (40.2)
2.	FCC	110 (17.8)	251 (18.5)	174 (19.2)	425 (18.8)
3.	Others	280 (45.2)	585 (43.1)	342 (37.8)	927 (41.0)
	Total	619 (100.0)	1357 (100.0)	905 (100.0)	2262 (100.0)

FCC—Foreign Controlled Companies.

TABLE III

Distribution of Companies According to the Number of Excess and Under-utilised Licences Held by Them

Number of licences utilised less than 60 per cent	Number of Licences Utilised more than 100 per cent						Total
	0	1	2	3	4	5	
0	114	42	4	2	0	0	162
1	190	24	5	2	1	1	223
2	75	14	3	0	2	2	96
3	43	10	4	4	2	4	67
4	37	4	2	1	1	3	48
5	22	5	1	0	0	3	31
6 and above	50	28	13	7	3	1	102
Total	**531**	**127**	**32**	**16**	**9**	**14**	**729**

Valid Reason

There could be one valid reason to explain the lower level of production and that is, shortages of power and industrial raw materials. As a general proposition one cannot disagree with the plea of shortages, particularly with regard to power. But one has to ask a related question : Is it so that companies which were not fully utilizing their industrial licences were unable to do so in case of all the licences held by them? Or, does it happen that the excess and under-utilisation phenomena were noticed existing side by side in the same company, during the same period? It may be that for a few products a company produced in excess of licensed capacity, and for many other products it practised gross under-utilisation. An objective answer is provided in Table III. It shows the distribution of 729 Indian companies which hold industrial licences and have production exceeding that licensed, while also holding licences which are not utilised by more than 60 per cent of the authorised capacity.

It would be seen that out of 729 companies as many as 531 did not indulge in violation of industrial regulation i.e. none of these having produced more than the licensed capacity. These companies did have under-utilisation for the licences held by them. The phenomenon of excess and lower utilisation for the licences held by the same company was observed in 198 cases only. Table III also shows clearly that there were 9 companies which held 5 and more of under-utilised licences, whereas these also had excess production in some of the licences held.

Reaching a level of production which is in excess of licensed capacity, cannot be without diversion of power and other scarce-raw materials from the products in which capacity utilisation was low. Many of the scarce raw materials are common for a large number of industrial products. A company may decide to produce far in excess of the authorisation by keeping production of the less profitable items at a lower level. Such practices are bound to result in distortions in supply position—excess production for high profit goods and lower production for goods for which higher prices cannot be charged. At the same time, the company would continue to have a valid licence to re-enter the product at a later date. Resort to such practices reduces Governmental regulations and attempts at planned development to a farce.

The most significant conclusion emerging from our analysis is that most of the companies which had established capacities for more than six products each were those which happen to be associates of multinationals. This includes Hindustan Lever, Phillips, Dunlop Sandoz, Rallis, Siemens, GKW, Boeh ringer Knoll, Glaxo, Union Carbide and GEC. The only Indian companies to fall under this category were Tata Oil (Tata), Gwalior Rayon (Birla), Voltas, Travancore Chemicals & Manufacturing Co. Ltd.

The new policy announcement provides that capacities indicated in the earlier industrial licences for such products and those companies which have been producing in excess of the capacities approved, would be of no significance. The Government would endorse capacities in the light of production level already achieved, the highest during any one of the past five years. The degree of enhanced capacity would be directly related to the extent to which a company had been bold enough in violating the Government regulations. Instead of the award of any penalty, the violating companies get a reward.

Violation Rewarded

To illustrate : Cromption Greaves (a company of Thapars and having 37.5 per cent foreign equity) held a licence for production of 18,000 sets of metal cased plugs and sockets but its level of production during 1979 was 224,207 i.e. nearly eleven-fold excess capacity utilisation. As per the new policy Crompton Greaves would get a licence for 298,943 units and would indeed be able to produce more than 3.73 lakh units as against the present licence of only 18,000 units. More serious the violation, higher the reward.

Where do the excess capacities exist ? For a pointed discussion it would be more relevant to list cases in which the violation of the IDRA has been more serious i.e. the products in which production level reached during 1979 was higher by 100 per cent and more. Table IV shows the distribution of 62 such cases. It would be seen that 33 out of the 62 cases belong to foreign controlled companies which are well known multinationals of the Western capitalist bloc. Indian big business and MNCs jointly were responsible for 55 cases out of the total of 62 cases of serious violations. Who would benefit the most from the liberalisation policy should be only too obvious. It is only a handful of companies—but these happen to be important and influential.

The new policy also announces the enlargement of the list of industries under Appendix I to the Industrial Policy Government Decisions of February 2, 1973. This opens up, according to the new policy only five areas for FERA and Indian Big Business (MRTP companies). A more detailed examination reveals that the new areas are not only the five admitted, but the liberalisation is far more extensive. By bringing in the 'components' in the case of newly added items, a good deal of scope has been extended in the areas which should have been reserved for development in the small scale sector.

Further, there is no explanation why the new industries have become core industries. Was this a result of any undisclosed objective enquiry or study, or is the list being enlarged to accommodate different pressure groups ? It is equally relevant to ask if such substantial changes had to be made, why this proposal could not be discussed by Parliament or other expert groups, before these industries are elevated to core industries. If nothing else, one should be able to see the core character in the Five Year Plan. Why did this question remain untouched in the Planning Commission perspective ?

Another aspect of the new po
concessions is that all large houses
multinationals will also be permittec
set up units outside the Appendix I
of the products if the units are pre
minantly export oriented i.e. 60 per c
export in respect of items not reserv
and 75 per cent for items reserved
the small scale sector. While grant
this concession no limit has been pla
on the new investments of the multi
tionals or Indian big business. It
obvious that 25 per cent production
a large unit like the Bata, Colgate, P
molive, Phillips or GEC would be enou
to ensure the closure of thousands
small-scale units. The MRTP Comm
sion had shown how Phillips while
porting indulged in transfer prici
Now combined with the advantage
local market entry such units wou
flourish fast and make a mockery of t
policy of reservations. In any case,
is well known that in operation, t
IDRA is being openly flouted by ma
of the large, influential and forei
companies. For instance, out of
cases of gross violations, 8 happen to
in products which are reserved for t
small scale sector. Britannia Industri
holds a licence to produce only 3,6
tonnes of biscuits etc., but its actu
production during 1979 stood at 34,9

TABLE IV

The Grouping of Violators of Licensed Capacities

(Number of 100 per cent
more violation cases)

Range of Excess Capacity Utilisation as Percent of Licensed Capacity	Cases belonging to			Tot
	Foreign Controlled Companies (MNCs)	Large Houses	Others	
100 — 200	19	12	6	3
200 — 300	5	3	0	
300 — 400	2	2	1	
400 — 500	2	1	0	
500 and above	5	4	0	
Total	**33**	**22**	7	6

nnes i.e. excess by 869 per cent. nilarly, in the case of soap, a product served for the small-scale sector, industan Lever held a licence for pro- ction of 70,108 tonnes, but the actual oduction was 162,278 tonnes i.e. 131 r cent excess utilisation. J.L. Morrison ld a licence for production of 31.250 s of medicated toothpaste, but actual oduction was 67,196 kgs. excess pro- ction by 115 per cent (Table V)

Of the 62 cases of gross violations ere were 12 cases covering products hich are under special regulations. In is list also the most prominent ones re : HMM Ltd. (FERA company) pro- uced 743 tonnes of ghee and butter gainst the licesned capacity of 255 nnes. Hinduston Lever, APV Engi- eering, Glaxo, Bayer were companies ll foreign controlled) which appear to ave flouted the regulatory norms of the overnment.

TABLE V

Classification of Cases of Gross Violation of Licensed Capacities

(Number of cases with 100 per cent or more violation)

Range of Violation	Items Reserved for Small-scale Sector	Items Covered under Special Regulation	Others	Total
100-200	7	7	23	37
200-300	—	1	7	8
300-400	—	—	5	5
400-500	—	1	2	3
500 and more	1	3	5	9
Total	8	12	42	62

Blalant Violation

While the above are only a few cases f violations which have been reported or many years, this does not take note f the fact that many companies, parti- ularly those belonging to multinationals, lo not even hold any valid licences for roduction of items which are reserved or the small-scale sector. For instance, Colgate Palmolive in their 1979 annual eport have reported production of 19 lakh dozens of tooth brushes and shave brushes for which they do not hold any licence. The company, in fact, asserts that it does not require any licence. Similarly, Britannia Industries, a multi- national, does not show any licensed capacity but has been engaged in production of more than 40,000 tonnes of bread. Reckitt and Colman (1980 Annual Report) claims that no licensing is applicable to them for production of food products, detergent preparations and polishes and compositions. Bata, in its annual report for 1979 only mentions that applications for endorsement of productive (installed) capacities have been made and they are pending under consideration by the Government of India. A large number of such cases of open and blatant violations could be cited. What has the Government done either by way of punishment for the violating companies or in the interest of protecting the small-scale units ?

The facts bring out that the new licensing policy would indeed benefit only a small number of companies. The single most important groups would be the foreign controlled companies and a few of the larger industrial houses which have shown little regard for economic regulations. Second, the extent of the rewards of liberalisation would depend upon the boldness demonstrated during the five years in producing commodities in excess of that authorised. Third, there is virtually no enforcement of reservations for the small-scale sector. There have been violations in the past and these continue without any punitive action. Now there would be an open entry by large companies into areas reserved and once production capacities get built under the plea of exports—the output would be dumped, very conveniently, in the home market. Export obligations, during the past. have proved of no constraint. This was brought out by Tandon Committee as also by many other Government inquiries. On one or the other plea, export obligations are waived.

One may ask : how is this new licensing policy, in any way, conforming to the spirit and letter of the 1956 Indnstrial Policy Resolution ? Will such liberalisation help India achieve self-reliance—if indeed it is intended to do so ? And after all this, what doubts can remain about the conditionality of the IMF loan ?

NOTICE

Due to increase in foreign postal rates the foreign subscription rates of EASTERN ECONOMIST have been revised as follows :

ANNUAL (Surface Mail) : $ 50 or £ 25

CHIEF EXECUTIVE

Unrealistic pricing hits drug production and investment

Drug prices are under Government control for the past two decades. And since the last 10 years they are fixed according to a clearly defined, rigid pricing formula. Not only the prices of all bulk drugs but also the price and profit margins of each and every finished formulation are controlled. On top of this, there is a ceiling on the overall profit a company can make. This three-tier control ensures that no company can overcharge or make exorbitant profit or increase prices without the prior approval of the Government.

No control on cost

Although prices are controlled, there is no control on the costs of inputs which have escalated sharply (see table). The price control order provides for periodic revision in drug prices on the basis of increases in cost of production but there is no adequate administrative machinery to deal expeditiously with hundreds of price revision applications. And by the time prices are revised, costs have increased further, rendering the approved prices uneconomic.

COST ESCALATION OF INPUTS

	Unit	Price in 1976 (Rs.)	Price in 1981. (Rs.)	Percentage increase (%)
Raw materials				
Lactose	kg	7.15	14.75	106.29
Gelatine	kg	31.09	55 99	80 09
Sugar D30	kg	2 15	7 49	248.37
Salicylic acid	kg	15 78	32 96	108 87
Alcohol (isopropanol)	kg	8.86	18.54	109.26
Packing materials				
Vial 5 ml white	1000	107 07	204.24	90 75
Glass bottle (amber) 50 ml	1000	233.60	378 47	62 02
PP caps	1000	140 40	185 76	32 31
Tubes 5 g	1000	326 27	656.29	101.15
Aluminium foil (printed)	kg	45 73	69.55	52.09
Utilities				
Electricity	KWPH	0 24	0.45	87 50
Furnace oil	Litre	0 96	2 57	167 71

Inordinate delay

Inordinate delay in price revision is not the only problem. What is even worse is that when prices are finally approved they are inadequate and far below what is warranted by the cost of production and even the Government's own pricing norms. This is because actual costs are not taken into account; several legitimate costs are arbitrarily disallowed.

Furthermore, the mark-up allowed is inadequate and unrealistic. Under the pricing formula the consumer price of a drug is arrived at by adding a percentage mark-up to its factory cost. Mark-up is not profit; it is to cover costs not included in factory cost, such as freight, distribution charges, trade discount, selling expenses and manufacturers' margin

Under the old formula mark-up was a maximum of 75% of factory cost for certain drugs and 150% for others. This has now been reduced to 40% for some drugs, 55% for a second category and 60%-100% for a third, although in no area have costs gone down. The break-even mark-up for most companies is around 75%. When costs are going up and prices all round are rising, drug prices cannot remain the same without adversely affecting investment, production and availability of drugs and medicines.

Sharp decline in profitability

The drug industry like any other industry, must have a fair return to enable it to pay a reasonable dividend and to plough back for new investment and increased production. But cost escalation without timely price adjustments has sharply eroded margins to levels well below those prescribed by the Government. The position today is that very few companies are able to get even a modest return. Obviously, there is something basically wrong with the policy itself.

The impact of cost escalation on the profitability is clearly demonstrated by a study of the balance sheets of 20 leading companies by the Economic Times Research Bureau. These 20 companies together account for a total drug sales of Rs.474 crores in 1980-81 or about 50% of the entire production of the organised sector of the industry. The study showed that although sales increased by 9.5% in 1980-81 over 1979-80, profit before tax dropped as much as 25.2%. Retained profits for the year recorded a sharp decline of 22.5%.

The financial viability of several companies has been severely hit. Some established units are already in the red; others are rapidly moving in that direction.

Shortage

Naturally, this has adversely affected investment and production. New investment has slowed down. Shortages of several essential medicines, which were occasional in the past, have now become frequent and wide-ranging. Other factors have aggravated the situation: scarcity of critical raw materials and packing materials; inadequate and irregular supply of canalised drugs; power cuts and labour unrest.

HOW DRUG PRICES COMPARE WITH OTHER PRICES

	Wholesale price index	
	All commodities	Drugs & medicines
1970-71 (base)	100.0	100 0
1975-76	172.9	118.7
1978-79	186.4	136.1
1979-80	212.3	135.2
1980-81	256 9	137.6

A policy for growth, not stagnation

The aim of the policy-makers was to encourage investment and production. But the policy has produced the opposite effect. Our Prime Minister has recently called for removal of all policy constraints and procedural handicaps that prevent optimum utilisation of the country's productive potential. But the drug policy does not encourage more production to prevent shortages.

Another look at the policy is long overdue. It is crippling a vital industry. It has caused shortages and hardships to the consumer. It has also pushed up the country's import bill.

In the year of productivity we need a drug policy that encourages growth, more production and greater availability of drugs and medicines to the consumer.

MARK - UP IS NOT PROFIT

Mark up is meant to cover costs **not** included in factory cost namely, freight, marketing and distribution costs, trade discount and manufacturers' margin The mark up which was 75% for some drugs and 150% for others in 1970 has been slashed to 40%, 55% and 60% 100% under the DPCO 1979, although in no area have costs come down

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Health for All by the Year 2000

Sudhir Sen

LAST YEAR, on the the Seventh of April, the anniversary of WHO (established in 1948) and observed as the World Health Day, the agency launched on what it claimed, and proclaimed, to be a revolutionary goal with a bold new concept, namely : the attainment of Health for All by the End of the Century. Specifically, this meant that, by then, all the people of the world, without exception, should attain a level of health that would enable them to lead "a socially and economically productive life", and thereby to realise, as individuals and communities, their potential for all-round development.

Since 1982 has been declared the "Year of the Aging", this year's World Health Day has been devoted to this cause within the framework of "H/2000" campaign and under the caption "Add Life to Years".

Medical Repair

Last year, elaborating on the newly declared goal, Dr Halfdan Mahler, Director General of WHO, stressed that there was no suggestion that in the year 2000, doctors and nurses would provide "medical repairs for everybody in the world", nor that nobody would be sick or disabled. What it did mean was a shift in emphasis, a realisation of the fact that "health begins at home, in schools and in factories", where people live and work, where "health is made or broken". People have the power to shape their lives and the lives of their families, "free from the avoidable burden of diseases, aware that ill-health is not inevitable", he emphasized. People could use better approaches to prevent disease and to alleviate unavoidable illness and disability, also adopt "better ways of growing up, growing old and dying gracefully."

"Health for All" has two other major practical implications : There would be "an even distribution" among the population of whatever health resources were available; and essential health care would be accessible to *all* individuals and families, "in an acceptable and affordable way", and with their full involvement.

To put it in a nutshell, the primary objective of the Health for All programme is to ensure *primary health care* for all, relying on individual and community self-help to the utmost possible extent. This is the heart of the new approach as enunciated by WHO. It dates back to May 1977 when the World Health Assembly, comprising WHO's 155 member States, issued a historic call, laying down Health for All as the overriding objective for the last two decades of the century.

Primary Health Care

This was followed by an International Conference on Primary Health Care held in 1978 in Alma-Ata, USSR, under the joint auspices of WHO and UNICEF. A declaration issued at this conference identified primary health care (PHC) as the key to attaining health for all by the year 2000. It called for urgent action, both at national and international levels, to formulate and implement PHC programmes throughout the world, especially in the developing countries.

The Alma-Ata declaration was endorsed by the UN General Assembly in 1979 which welcomed the efforts of WHO and UNICEF to realise the health-for-all objective in the next two decades, and called upon the relevant UN bodies to support WHO's efforts by appropriate action within their respective spheres of competence.

The last decade has seen a plethora of global conferences ending with high-sounding declarations and plans of action amidst much fanfare. How they have fared so far is common knowledge. In general, there have been more bureaucratic creations than creative initiatives, more plans than action, more movements than achievements, more noise than progress. Will WHO's solemnly declared goal be an exception to the rule ? Or, will it remaiu tantalisingly elusive, wrenching *cride coeur* with empty echoes ?

Health for All

At the end of his message for last year's World Health Day, Dr Mahler said emphatically : "We *can* succeed. We *must* succeed. If we do not, the children of today, and those who have not yet been born but who will comprise more than one third of the people living in the year 2000, will never forgive us." These need not, and must not, be empty words. The goal can be, and must be, realised to avert what in the eyes of future generations would otherwise be a calamitous default and the ultimate sin.

"Health for All" has been characterised as a call for justice, to bridge the gap between "health-haves" and "health-havenots". So it certainly is, but it is also a call to common sense and, for the developing countries, a call for sheer survival. A society, rich or poor, that cannot or does not cater for the minimum health needs of its people, is itself unhealthy. A poor nation that neglects the basic health services for the masses of its people, jeopardises its hopes for development and perpetuates its own poverty. Here are some of the dlsturbing facts about the developing countries as presented by WHO :

In many countries, mortality rates are no longer dropping; in some, they are even increasing. This is due to the fact that improvements in child and infant mortality rates, which account for-50 per cent of all deaths, haave slackened o been reversed. At the same time they hav continued to decline at a faster rate in th rich nations, thereby widening the ga between the two. This makes improvements in global averages quite meaningles

As Dr Mahler reminds us, a new-bor child in some African countries has onl a 50-50 chance of surviving throug adolescence; four-fifths of the world population living in slums and rural areas have no access to any permanent form of health care; and only one in three persons in developing countries has reasonable access to safe water and adequate sanitation.

Then, there are those crippling diseases which hold much of the poor nations in a deadly grip. Some 250 million people suffer from filariasis; 30 million people from onchocerciasis or river blindness; 200 million are infected with schistosomiasis. And though great progress was was made towards eradication of malaria, it has agaia shown a resurgence with the result that each year about 150 million new cases of malaria are registered; the total number of people infected by it is believed to be much higher. In addition, there is a host of other diseases that stalk the tropics and take a heavy toll year after year.

Cold Numbers

These are cold numbers, only too often cold-shouldered even by intelligent people. To breathe life into them and to drive home the enormity of these afflictions, they have been vividly expressed as follows : a country as big as the Soviet Union is today suffering from filariasis; a nation of the size of the United States of America is "urinating blood because of schistosomiasis"; a population equal to that of Japan, Malaysia and the Philippines put together is "sweating and shivering in malaria"; and a population equal to that of Iran is suffering from river blindness.

Or, take the case of diarrhoeal diseases. Every year they kiil over five million children in the Third World, which is equal to the total number of children born each year in the USA, the UK, France, Sweden and the Netherlands put together. In the developed world, diarrhoea is no longer fatal; it is only a nuisance so that no one there suffers any more what has been called by someone as "the abominable indignity of defecating to death".

This is the situation today even after all the progress that has been made in the past four decades, largely under WHO's dedicated leadership, in curbing or stamping out a number of communicable diseases, the long-dreaded mass killers, like smallpox, plague, cholera, malaria, typhoid, tuberculosis. The situation is intolerable in terms of the stark human misery it involves. It is also intolerable for another reason, less obvious but no less tragic, namely : the crushing burden it imposes on the fragile economies of the developing nations. How can they ever expect to grow and develop when a high proportion of their people—adult men and women as well as children—are victims of debilitating diseases and are condemned to live as liabilities to their societies instead of actively contributing to them ? Diseases are a major cause of poverty. Health care is not a luxury even in a poor nation, to be provided in some indefinite future—*after* a nation has sufficiently developed. Such deferment would be callous, foolish, and dangerous Health care embracing all the people is desperately needed *here and now*. It is an inescapable prerequisite for development.

The world has taken surprisingly long to see the direct link between health and development. In fact, even today the perception of their interlocking character is not clear to most people, although it has been strikingly demonstrated in a good many instances. For example, no green revolution based on high-yielding varieties of rice and wheat would have been possible in many areas unless malaria had been brought decisively under control. Similarly, the introduction of tube wells and the assured supply of safe drinking water have freed a great many people from the ravages of intestinal diseases, thereby visibly improving their health and productivity.

Belated Realisation

The Health-for-All programme is based on three other belated realisations, though they are more or less axiomatic and should have been foreseen long ago. First, control of deadly communicable diseases deserved, and received, the highest priority from WHO which, aided by technological breakthroughs such as freeze-dried vaccine and a battery of miracle drugs, did accomplish many miracles. But it could never achieve full success since the causes of the diseases often lay outside its competence—in malnutrition, insanitation, impure drinkin water, poor housing. Yet, for a lon time they received scant attention.

Second, given the magnitude and natur of the problems, *curative* medicine a practised hitherto—with doctors, nurses hospitals and high-cost technology— cannot remotely cope with them. Such a system can, at best, cater for the fortunate few who can afford expensive medical treatment, to the near-complete exclusion of the impoverished masses of people living in rural and urban slums. The emphasis on costly human repair centres and the belief that there is "a pill for every ill" are grossly overdone even in the West. Such a model is totally misplaced in the developing countries where the overwhelming need is *preventive* medicine along with well-organised primary health care.

Lack of Education

And third, a PHC programme, to be truly effective, must look beyond medicine and embrace several other sectors. The Alma-Ata conference of 1978 defined it as an eight-dimensional approach : *education* about the prevailing health problems and the methods to prevent and control them; promotion of *food supply and proper nutrition*; an adequate supply of *safe water* and basic *sanitation*; *maternal and child health care*, including family planning, *immunisation* against the major infectious diseases; prevention and control of locally *endemic diseases*; appropriate treatment of *common diseases and injuries*; and provision of essential *drugs*. The Alma-Ata declaration further underscored that services in all these fields should be provided "to individuals and families in the community through their full participation."

The analysis given by WHO is admirable and unexceptionable. The tragedy is that both aid-givers and aid-receivers have taken over four decades to discover these elementary truths. No extraordinary prescience should have been needed to grasp the vital importance of PHC, say, a generation ago. In the intervening years the problems have grown vastly more intimidating because of an explosive growth of population. What is particularly worrisome today is that there is still too much vague thinking—and some patently irrelevant suggestions—as to how best developing countries could implement effective PHC programmes. There is, at long last, a correct diagnosis, but no precise prescription; the right goal, but no well-conceived strategy to realise it.

Key Strategy

"A key strategy for the success of the movement", says a senior WHO aide, "is the mobilisation of political commitment to the goal". This is a familiar cliche; exhortations about *political will* have become a recurring ritual in all discussions on development. Will, however, is not a strategy. It is not enough to guarantee success with PHC or, for that matter, with any other development programme, any more than a war can be won simply with a will to victory unaccompanied by the right strategy.

Some still plead for massive transfer of resources from the affluent to the poor nations to finance the massive efforts needed to liquidate poverty, hunger, and ill-health. Others, tired of chasing this will-o'-the-wisp, have reluctantly begun to talk of self-reliance. While this dawn of realism is welcome, it has yet to produce sufficiently realistic suggestions. The proposals broached so far are : Larger allocation of resources for health care in the national budget; equitable distribution of these resources, ending their lopsided concentration in urban areas; and mobilising rural communities which should take the responsibility for doing most of the PHC work, like distributing chloroquine and spraying houses for malaria control.

These ideas, despite their plausible ring, beg several troublesome questions. By how much can the Government of a poor nation raise its health budget, given its meagre GNP ? How far will redistribution of the available resources between urban and rural areas rectify the present imbalances ? If a clash with the medical establishment ensues because of its stake in the existing system, as is most likely to be the case, will the game be worth the candle ? And if such a clash is reasonably resolved, will not the released sources be spread too thinly over a large untended area to make a noticeable impact ?

As for self-reliant communities, they are the hardest to build. They are, it is well to remember, more the goal of development than its means, the destination rather than the starting point. To suggest that they could be the primary vehicle for executing primary health care programmes is as good as assuming away the problem.

Mind-boggling Waste

Some starry-eyed specialists with handy calculators have reminded us that the world today spends on cigarettes almost twice the amount spent by both the public and private health services in the Third World, including China, put together; that the rich countries today spend more on what, in WHO's view, are non-essential uses of tranquilizers than what the poorest 67 countries of the world, taken together, spend on their public services. Given these anomalies, why should it not be possible to raise a substantial amount of money internationally to meet the desperate health care needs of the poor nations ? For the answer all we need is to remember the far bigger and mindboggling anomaly : the world spends $600 billion a year on arms while development is starved of funds, even though a tiny fraction of this horrendous sum could help stamp out poverty and hunger from the face of the earth. The explanation for such perversities is not hard to find. Man may boast to be a rational animal, but his capacity for irrational behaviour in not at all that limited.

What, then, are the prospects of a Health-for-All programme ? Must they be rated as bleak with no way out ? This is by no means the case. There is indeed a way out, a way that is short, swift and sure; which, if adopted, cannot only lead the Third World nations to the promised goal of health for all by the end of the century, but also liberate them from the iron grip of poverty with its untold afflictions. The exit is missed because our eyes are turned in the wrong direction, or because we refuse to look below the surface. It lies conspicuously hidden among the eight PHC components that were identified at Alma Ata, viz : "*Promotion of food supplies and proper* nutrition."

Today's woes of the developing countries stem overwhelmingly from one single root cause : the long neglect of their agriculture, especially their food production. All programmes, bilateral and multilateral, and all Governments, of both developed and developing nations, have egregiously defaulted here. But saddest of all has been the performance of FAO, the agency on which the world had once placed high hopes.

FAO could have been a trailblazer and pacesetter in transforming primitive, low-yield subsistence farming of the

ANNOUNCEMENT

From June 1982 *Eastern Economist* will be brought out on every Sunday instead of on Friday as at present. This shift in the day of the publication has been made to overcome certain postal difficulties we are facing at present and, in turn, will ensure delivery of the copies covering all major events of the week. Patrons and all concerned are requested to make note of this shift in the publication day of *Eastern Economist*.

CHIEF EXECUTIVE

developing countries into a modern, science-intensive, high-yielding agriculture which, in turn, would have lifted their anaemic economies to a stage of high-growth, all-round development. This should have been FAO's number one task, its most obvious mission in a hunger-ridden, poverty-stricken Third World. Instead, it bogged down in endless surveys and aimless research, giving aid through scatter-shot programming, cataloguing difficulties, meeting challenges with alibis, and tirelessly tinkering with an archaic status quo. It has missed its historic mission, and for this we are all paying an awesome price.

One may recall the "Universal Declaration on the Eradication of Hunger an Malnutrition," made at the World Food Conference which met in Rome in November 1974. Here are some of the ringing words it contained : "Every man, woman and child has the inalienable right to be free from hunger and malnutrition in order to develop fully and to maintain their physical and mental faculties. Society today already possesses sufficient resources, organisational ability and technology and hence the competence to achieve the objective." This was climaxed with a moving peroration: "Time is short. Urgent and sustained action is vital. The Conference therefore calls upon all people . . . to work together to bring about the end of the age-old scourge of hunger."

Then came the anti-climax. The echoes of the words, after reverberating for a while, died down. The world community slumped back into its customary complacency. Since then it has been biding time while the food situation worsens in in most developing countries. It cannot be long before it is overtaken by another formidable crisis.

And the greatest irony of our time is this : Poverty and hunger are still mounting despite the enormous potential of Tropical Agriculture, *the Untapped Treasure House of the Third World.* How best it can be exploited—with an army of land-owning peasant families, readily-accessible agri-centred market towns and all-weather roads linking them to farms and villages, and with the technologies that are already on hand and are in the pipeline—to yield rapid results ensuring food-and-jobs-for-all. I have discussed elsewhere at considerable length. Once such a strategy is put into effect, the moribund rural areas of the Third World will be on the march, their productivity—and with it their overall GNP—will explode with multiplier effect spreading far and wide. Simultaneously, and almost as a matter of course, there will be a groundswell of cooperative movement and community development; today's dire financial constraints will automatically ease with an expanding pool of funds available to finance essential services, including primary health care.

And the alternative ? It is too grim to contemplate. The developing countries will increasingly lose the food-population race, and will sink even deeper into hunger and poverty. This, among other things, will make a mockery of WHO's Health-for-All programme.

The conclusion is clear. An effective food-and-jobs-for-all programme, along with fast-rising food production *within* each developing country, remains the highest priority. It is a precondition for success with a Health-for-All and other similar recently formulated programmes and related plans of action. They are all, in a very real sense, hostage to FAO's performance. What, then, could be more important for the world community than to breathe new life and vigour into the 1974 Declaration on World Hunger and, with concerted effort, to turn it into a reality with the utmost possible speed ?

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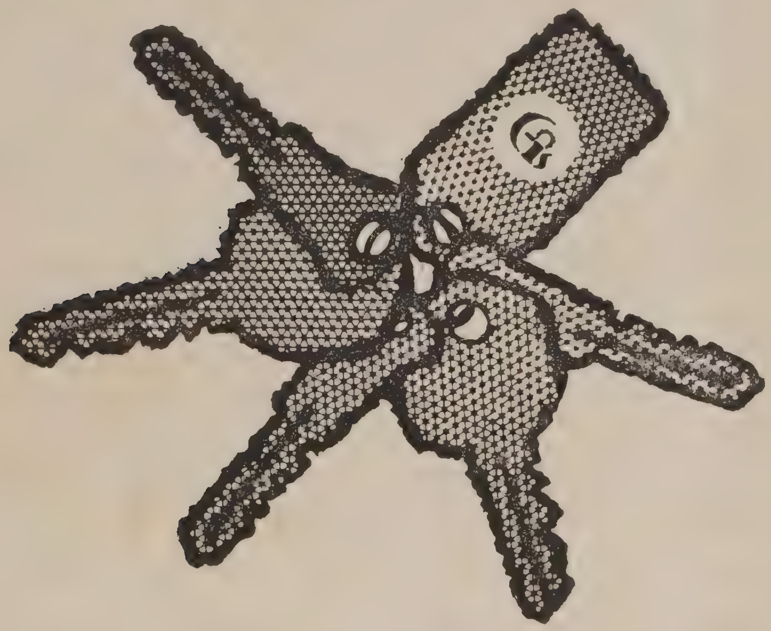

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Economic Analysis

The Oil Crisis is a Boon

C. S. Kirloskar

I HAVE come to believe that the rise in oil prices since 1973 has been beneficial to our agriculture, industries (especially to our oil industry), trade, employment, foreign exchange position and to the Indian economy as a whole.

As regards inflation in India during the 1970s, I am convinced that the OPEC price-hike of 1973 and 1979 had very little to do with it. Inflationary pressures in India are due to expanding public sector absorbing nearly 60 per cent of annual investment which is being used in the most inefficient manner, expanding unproductive expenditure of Government, increasing resort to deficit financing and increasing supply of money at an annual average rate of around 15 per cent, licensing policy with all its delays, and above all the maze of frustrating controls leaving installed capacity in a number of public and private sector industries unutilised to the extent of 50 to 75 per cent.

And therefore I am convinced that to blame OPEC for inflation in India, Western Europe and United States is to bark up the wrong tree.

I believe that future trends in prices —whether there will be inflation, reflation or price stability—will depend almost entirely on labour efficiency and productivity and not on abundance or scarcity of oil resources in the world. Anyway, according to the present reckoning, there would be adequate oil to meet the increasing demand, at least for a few more decades.

The oil price-hike by OPEC, instead of harming India as is commonly assumed, has in fact benefited the country in many ways.

Rising oil prices and the consequent rising level of income of people and revenues of Governments in the thirteen oil-exporting countries that constitute the OPEC, has had a favourable impact on India's exports to those countries, especially since 1973 onwards.

In the 1950s, India used to export to OPEC countries traditional items such as tea, coffee, textiles, jute manufactures, spices, hides and skins. Of these exports by India to OPEC, tea accounted for 17 per cent. cotton textiles 17 per cent, jute manufacture 10 per cent and spices about 3 per cent.

The scenario has been undergoing significant changes in regard to India's exports to OPEC since 1973. Oil exporting developing countries with enlarged purchasing capacity arising out of export-surplus found India a suitable market from which to import goods of various types for executing their development programmes.

India's exports to OPEC which constituted in 1960-61 only around 4 per cent of the country's total exports and 4.7 per cent in 1971-72. rose to 15 per cent in 1975-76. Though it has declined since then to some extent, India's exports to OPEC constituted 11 per cent of the country's total exports in 1979-80. It is worth remembering that this increasing percentage should be viewed in its proper perspective of continually rising total volume of India's exports.

What according to me is of greater significance is that along with the traditional items of exports, India's exports of non-traditional items to OPEC have been gradually rising.

In order to meet the development needs of OPEC, these countries have now been importing from India engineering goods such as power-generating machinery and equipment, steel pipes, tube-fittings, automobile and spare parts, railway wagons, bicycles and various types of tools and equipment. India's exports mainly of engineering goods and spares to Saudi Arabia alone amounted to Rs 171 crores in 1980-81. It cannot be denied that our exports to OPEC have been giving a boost to the process of industrialisation in India.

There is one more aspect of our trade with OPEC which should be interprete in its proper perspective. Because of the price-hike of oil and petroleum products, India's imports from OPEC have registered a sharp increase from 8 per cent of India's total imports to 26 per cent in 1979-80.

Some people are worried that India's balance of trade with OPEC has not only been adverse but this adverse balance has been mounting. Thus the adverse balance of trade with OPEC which amounted to only Rs 32.8 crores in 1970-71 moved up to Rs 662.3 crores in 1978-79, and to Rs 1,665.6 crores in 1979-80.

I am not at all worried because of our adverse balance of trade with OPEC. This is for two reasons. A country's trade with another country or a group of countries need not necessarily balance. There is no particular virtue in such a trade balance. Second, and more important, if we take into account the annual foreign exchange remittance sent by about a million Indians who have been employed and are working in OPEC, I have no doubt that India's trade balance with OPEC has for most of the years been positive, or only slightly adverse during some years, if at all.

My complaint is that Government of India did not come out with a package of policy measures and export incentives to push up still higher India's exports of appropriate technology, finished and semi-finished goods. It took the country more than three decades after independence to start Export-Import Bank. With appropriate measures and incentives our exports to OPEC could have been easily boosted still further.

I would therefore maintain that the price-hike in oil and petroleum products by OPEC had not only no adverse effects on India's trade with these countries but on the contrary it had positively beneficial effects.

I therefore do not share the commonly held view among both our policy-makers and knowledgable public that the sharp deterioration in India's overall trade account from a modest surplus of Rs 64.46 crores in 1976-77 to a staggering deficit of Rs 5,700 crores in 1980-81 and India being compelled to resort to 5-billion SDR accommodation from the International Monetary Fund recently was due to OPEC oil price-hike since 1973. The reasons for India's overall widening trade gap must be sought elsewhere.

Instead of attributing our widening trade gap to frequent oil price-hike by OPEC, I would attribute it to increasing difficulties encountered by our exports due to recession in the United States and western countries, to increasingly protectionist trade policies followed by some of the developed countries, steady deterioration in our terms of trade vis-a-vis developed countries, and increasing burden on account of rising imports of our defence equipment due to unfavourable political developments in neighbouring countries.

The oil price-hike since 1973 has been mainly responsible for India undertaking a number of programmes of off-shore and on-shore oil exploration. The result has been that production of indigenous crude oil and our oil refining capacity have both been gradually rising.

The oil price-hike provided motive and incentive to the growth of oil industry in India which would have remained indifferent to the growth of this vital sector, if imported oil were to be available relatively cheaply as in 1950s and 1960s.

Thus we notice that production of crude oil which was just around half a million tonnes in 1960-61 increased to 3.5 million tonnes by 1971-72 and this year it is expected to be around 16.75 million tonnes.

The oil price-hike is mainly or I would say solely responsible for fairly ambitious future growth programmes of our oil industry. Our oil development programme that has been finalised this year would mean that India would be producing about 30 million tonnes of crude oil by 1984-85. This excludes any yield from new areas where oil has already been struck or with a little luck may be struck and yield from Palk Strait and B-57 structure east of Bombay High where oil has already been found and tested.

I fear that the persistence of the recent downward trend in petroleum prices might reverse the welcome trend of our increasing crude oil production and of oil refining capacity. I may go one step further and say that oil prices, instead of falling, should stabilise at 34 dollars per barrel of crude oil as that would motivate India to make more intensive efforts to explore and produce more oil. This is the lesson that I draw from the PL 480 programme of food aid to India during the first two and half decades after independence.

Even as the production of indigenous oil increases in India, I would suggest that Government should not bring down prices of petroleum and petroleum products on the ground that cost of production of indigenous oil is lower. Instead, I suggest that Government should maintain the prevailing high price of oil. This would result in a big rise in profits made by the Oil and Natural Gas Commission which with around 10 million tonnes of oil production made a record profit of Rs 650 crores during 1981-82.

Increasing profits out of indigenous oil production and refining should be used by the Government as basis for reducing rates of direct taxes in India. The share of all direct taxes forms just 3 per cent of our Gross National Product at present. Income tax which is estimated to yield Rs 1,622 crores and corporation tax Rs 2,382 crores in the budget estimates for 1982-83, constitute only 6 per cent and 9 per cent, respectively and together constitute about 15 per cent of total revenue (both on revenue and capital account) of the Central Government. Even if the rates of income tax and corporation tax are reduced by half, it would make available even in the year 1982-83 around Rs 2,000 crores for investment in the private sector. The amount available for investment out of reduction of these two direct taxes would go on increasing in years to come giving a boost to private industries. With a high price of oil and with continually rising production of oil, the profits of ONGC are bound to go on rising making more than good any possible loss due to reduction in rates of direct taxes.

I may appear unconventional when I say that the oil price-hike since 1973 has had a favourable impact on our agricultural development. Increasing crude oil production and refining capacity in the country have been providing increasing qnantities of inputs for our fertiliser industry.

Rising prosperity in OPEC countries has resulted in their increasing imports of some agricultural commodities from India such as high quality rice, fruits and onions. This has increased prices of some of our agricultural commodities providing incentives for ther additional production.

According to one reliable source, the OPEC countries have provided employment to around one million workers from India in oil-producing countries. In Kerala for example, where the rate of unemployment among the educated was the highest in India, nearly every household has managed to send one or even two youngsters to OPEC. These Indians are there as expatriates working on contractual basis.

At the beginning of 1982, Indian contractors had orders on hand in oil-producing countries worth around Rs 4,000 crores.

The only group adversely affected by rise in oil price is that whose sole source of income is pension or house-rents fixed long ago on contractual basis. The remedy for providing relief to such a fixed income group is to raise pensions and suitably amend the rent control act permitting reasonable rise in house rents and surely not to reduce the price of oil.

I have thus no doubt in my mind that the oil price-hike has had a favourable impact on our oil industry, on employment, on our foreign exchange reserves and on our economy as a whole.

And therefore recent trends which indicate cracks in OPEC, oil glut in the world market, failure of the attempts by OPEC to maintain oil price at 34 dollars per barrel, declining spot price which is around 28 dollars at present—all worry me that it might mean beginning of the end of rising prosperity in OPEC with an unfavourable impact on our economy.

punjab national bank

Head Office : 5, Sansad Marg, New Delhi.

STATEMENT OF POSITION

31st December, 1980		31st December, 1981
Rs.	**LIABILITIES**	Rs.
2,00,00,000	Capital : Paid up Capital	5,00,00,000
14,82,30,000	Reserve Fund etc.	13,22,30,000
2765,02,81,648	Deposits and other Accounts	3376,79,55,119
82,47,66,428	Borrowings from Banks & Agents etc.	137,72,04,252
38,16,57,051	Bills payable	34,35,11,697
169,37,94,083	Bills for collection per contra	217,81,40,561
65,69,81,172	Other Liabilities	61,79,56,719
312,90,60,248	Acceptances, Endorsements etc. per contra	387,06,62,333
	PROFIT & LOSS ACCOUNT	
70,00,518	Balance as per last Balance Sheet	80,07,569
70,00,518	Less Transferred to Central Government	80,07,569
NIL		NIL
400,07,569	Profit for the year	450,76,893
	Less transferred to	
120,00,000	(i) Reserve Fund	140,00,000
200,00,000	(ii) Contingency Reserve	210,00,000
80,07,569	Balance to be transferred to Central Government	1,00,76,893
3451,27,78,199		4234,77,37,574
	ASSETS	
408,91,46,055	Cash in Hand and with Banks	520,24,33,558
38,51,55,250	Money at Call & Short Notice	10,78,30,250
862,31,99,569	Investments (At or Below Cost)	1031,02,04,503
1535,16,15,677	Advances	1913,76,24,492
169,37,94,083	Bills for Collection per contra	217,81,40,561
312,90,60,248	Acceptances, Endorsements etc. per contra	387,06,62,333
2,92,96,349	Premises	3,90,88,234
10,09,00,398	Furniture & Fixtures	14,71,10,139
111,04,93,578	Other Assets	135,45,29,002
1,16,992	Non Banking Assets	1,14,502
3451,27,78,199		4234,77,37,574

Minor Tax Concessions

SEVERAL CONCESSIONS have been provided by the Union Finance Minister, Mr Pranab Mukherjee, in the taxation proposals he had made while presenting the current year's budget in February. They will entail a loss of Rs 15.73 crores—Rs 11.25 crores on account of direct taxes and Rs 4.48 crores in the receipts from excise duties (Rs 3.68 crores) and customs levies (Rs 80 lakhs). Consequently, the budgetary deficit will grow to Rs 1,380.73 crores from the proposed level of Rs 1,365 crores. The concessions were announced by Mr Mukherjee on April 22 while introducing this year's Finance Bill for discussion in Lok Sabha.

The modifications made in direct taxes are:

(i) The monetary ceiling for exemption from income-tax is to be raised to Rs 30,000 from Rs 25,500 in respect of encashment of unavailed earned leave provided to employees on retirement. The enhanced ceiling is to be applicable in the case of employees retiring after January 1, 1982, but the tax exemption is to be given retrospective effect from the assessment year 1978-79. The maximum amount qualifying for exemption prior to the current assessment year would be Rs 25,500.

(ii) Incomes upto Rs 2,000 per annum by way of return on Government securities and deposits in banks to a maturity of one year or more are to be exempted from income-tax: this is in addition to the concessions already announced while presenting the budget in respect of qualified savings for exemption from tax.

(iii) It has been clarified that no part of the consideration received by a person from the execution of foreign projects or the income comprised in such considerations shall qualify for deduction under any other provision of Income-tax Act except under the entitlement to an exemption of 25 per cent of the profits derived from foreign contracts. The tax concession is to be available only in cases where the consideration for the project is payable in convertible foreign exchange and the remittances into India up to 25 per cent of the profits from the project are also made in convertible foreign exchange. The Commissioner of Income-tax, however, has been empowered to extend the time for remittance of funds into India in suitable cases beyond six months from the end of the relevant accounting year.

(iv) Exemption from income-tax to interest received by non-resident Indians or persons of Indian origin in notified savings certificates will be available only where the tax-payers subscribe to such savings in foreign currency. This will be the criterion also for the grant of exemption from wealth-tax in respect of the value of such certificates and the exemption from gifts-tax of certificates gifted by non-resident subscribers to their relatives in India.

(v) Exemption from wealth-tax is to be available to capital investment bonds for an assessment year if the bonds are owned by a tax-payer from the date on which he subscribes to the bonds or for a period of at least six months ending with the relevant valuation date, whichever is shorter.

(vi) Long-term capital gains arising from the transfer of any capital assets other than a residential house are to be eligible for exemption from tax where the net consideration is invested by the tax-payer in a residential house. This clarification has been provided to remove doubts that capital gain arising from the transfer of a commercial property let out on rent by the owner would not be eligible for the proposed exemption.

The modifications made in indirect taxes will mainly benefit small manufacturers of specified goods. These are:

1. Recognising that the benefit of the lowest rate of excise on matches, Rs 1.60 per gross box, available to eligible match units in the non-machanised sector, subject to the condition inter alia that their monthly production did not exceed 15 million matches in any financial year, would adversely effect a number of small units in respect of the period June, 1980, to December 31, 1981, it has been proposed that this condition will not apply during the aforesaid period. It, of course, will continue to be applicable with effect from January 1, 1982.

(ii) Pre-budget position has been restored in respect of non-specified items of plastics: they will henceforth be fully exempt from excise duty (the budget proposal envisaged subjecting of these articles to a basic excise duty of 8 per cent ad valorem;

(iii) Printed boxes made of kraft paper, millboard, or strawboard or a combination of these are to be fully exempt from excise. Asphalted roofing sheets used in the construction of relatively cheap dwelling huts and structures are also to be fully exempted from excise.

(iv) Small manufacturers of synthetic organic dyestuffs whose actual turnover is within Rs 2.5 lakhs are to be taken out of the excise net.

(v) The general excise duty concession scheme applicable to manufacturers of 70 specified commodity groups is to be extended to small assemblers of cassette tapes.

(vi) Parts of pens and ballpoint pens, as also spectacle lenses falling under item 68 of the excise tariff are to be fully exempted from excise levy.

(vii) The value of limit for exemption from excise for parts used in the manufacture of footwear is to be doubled to Rs 30 per pair from Rs 15.

(viii) The basic excise duty in respect of small bottlers of aerated water wh market their products under brand o trade names in pursuance of agreement with the owners of such brand and trad names is to be reduced to 20 per cent a valorem from 40 per cent ad valorem as proposed in the budget.

(ix) A lower concessional duty of 10 per cent ad valorem is to be charged on chlorinated rubber, ester-gum and destran. When chlorinated rubber, ester-gum or nitro-cellulose are used in the manufacture of paints, etc. falling under item 14 of the Central Excise tariff, credit is to be allowed for the duty paid on them. Linoxyn and ester-gum produced and used captively in the manufacture of linoleum, paint and varnishes, etc, has been exempted from excise levy.

(x) The excise duty concession proposed on production during the 12 months to February 28, 1983 in excess of 110 per cent of the output during the 12 months to February 28, 1982, is to be extended to steel ingots and iron and steel products manufactured by mini steel plants, industrial varieties of paper, synthetic rubber, paints varnishes and electric bulbs.

(xi) The proposed five per cent ad valorem increase in auxiliary customs duty on imported viscose filament yarn has been withdrawn to obviate pushing up of the cost of cheaper artsilk fabrics.

PEC's Performance

THE PROJECTS and Equipment Corporation of India (PEC) has recorded a fairly steep increase (43 per cent) in its turnover in 1981-82 to over Rs 55 crores from Rs 38.6 crores in the previous year. While imports have gone up to Rs 1.41 crores from just Rs 20 lakhs, exports have improved to around Rs 53.5 crores from Rs 38.4 crores. This export tally is significantly higher than the provisional figure indicated in the 1981-82 performance review of the STC group (Rs 48.9 crores) published last month, but marginally lower than the target of Rs 55.3 crores.

Turnkey project export to Libya, Zambia and Tanzania are put at approximately Rs 10 crores and those of mechanical equipment at Rs 26 crores, electrical equipment at Rs 5.9 crores, textile machinery at Rs 2.5 crores and railway equipment at over Rs 8 crores.

Much more hearteningly, the corporation was able to bag last year record orders worth over Rs 60 crores, raising the orders on hand to over Rs 100 crores. Consequently, turnover is expected to go up during the current year to around Rs 65 crores. This target, in fact, may be excelled not insignificantly : negotiations for a number of projects abroad, aggregating to worth Rs 400 crores, are being carried on, some of which can surely be expected to result in firm orders.

Indonesian Contracts

Last year the corporation contracted with Indonesia a Rs 55 crores cement project to be completed in three years in collaboration with the Walchand group of industries. Work on it has been taken up. In appreciation of the civil construction job undertaken be it in Libya, the Libyan authorities have signed a protocol with the undertaking for the construction of an administrative-cum-commercial complex and a housing project on turnkey basis. The total cost of this scheme is estimated at Rs 110/120 crores.

How much of it will materialise, of course, remains to be seen. Discussions for putting up a Rs one crore pineapple processing plant in Uganda have reached an advanced stage : this contract is likely to be signed shortly. A number of other projects are being pursued vigorously in Algeria, Kenya, Indonesia, Malawi and Iraq. These include a blanket factory, a dyes and pigments manufacturing plant and a printing ink manufacturing unit in Algeria and a pesticides formulation plant and a forge foundry in Indonesia. The PEC has been short-listed for setting up an aluminium nitrate plant in Malawi.

The major items of mechanical equipment exported last year included machine tools, printing machinery, spray painting and drying booths, pressure gauges, thermo blocks, thermo containers, spark plugs and V-belts, construction and earthmoving equipment, diesel engine, pumps, etc., to the USSR, Mauritius and Iraq. It is proposed to develop new markets for these equipments in East European contries, Nepal and Thailan The composition of these exports is bei expanded to include tea machinery ar containers. Electrical equipment—pole transformers and stay sets—were expor ed to Jordan, Iraq and Sri Lanka. Co tracts have been received for the supp of poles to Abu Dhabi and Iraq, tran formers to Sri Lanka, transmission lin material to Saudi Arabia and transfo mers to the NTPC projects in India whic are financed by the World Bank.

Last year also saw the satisfactor completion of the 261 KM transmissio line route survey in Nepal and equipmer for the light house project in Malaysia Concerted efforts are being made to explore new markets for electrical equipmer in Bangladesh, the UAE, Thailand, th Philippines, Vietnam, Mozambique an Zimbabwe, besides for deepening the interest in countries to which these export are already being effected. In additior to poles, transformers, insulators anc conductors, it is proposed to introduc switchgear and transmission and distribution materials in the export market.

New Markets

Textile machinery accessories, blow room and carding accessories and inspection equipment were exported to Vietnam, Bangladesh and Syria. The new markets proposed to be developed for this purpose this year are the USSR, the Philippines, Sri Lanka, Iraq, Zimbabwe, Zambia and Senegal. The PEC is renovating and rehabilitating the obsolete textile mills in Vietnam. Among railway equipment, major shipments have been made last year of brakevans, fertiliser wagons, cattle wagons, SA tank wagons, etc, to Nigeria, Bangladesh, Vietnam and Zambia.

Contracts are expected to be concluded for the supply of wagons to Burma, luggage vans to Mozambique, metre gauge coaches to Bangladesh, diesel locomotives to Vietnam, air-conditioned coaches to Malaysia and ordinary coaches to Cuba. Efforts are being made to cultivate some other markets for railway equipment. These include Ghana, Uganda, Bangladesh, Togo and the oil rich countries—Algeria, Iraq, Saudi Arabia and Indonesia. Iran has also showed interest in purchas-g a substantial number of railway rolng stock from India.

The trading profit of the PEC on the asis of Rs 50.2 crores turnover last year s indicated in the STC group's perfornance review was estimated around Rs 2.5 rores, as against Rs 2.3 crores in the preious year. The profit before tax was put t Rs 2.1 crores, marginally lower than s 2.2 crores in 1980-81. The post-tax rofit was estimated at Rs 70 lakhs, the ame as in the previous year. In view of he stiff competition faced, the ratio of rading profit to sales worked out to 4.9, s against 5.9 in 1980-81 and that of preax profit to sales to 4.3 (5.9). The ratio of overheads to sales was contained last year at 3.8 as against 5.1 in the previous year. It remains to be seen how far the profitability of the undertaking will improve following approximately Rs 5 crores higher turnover as assessed now.

Recession in Engineering Industry

The expectation of the engineering industry to raise its output by 15 per cent during the current (productivity) year may not materialise for want of credit, even though the credit squeeze has been relaxed slightly in the recent weeks. The president of the Association of Indian Engineering Industry, Mr Vinod Doshi, has expressed the view that there was a gap of over Rs 1,200 crores between the requirements of the engineering industry in terms of its production target for the year and the ceiling imposed on the availability of credit in January. The credit requirements took into account not only the production target but also 10 per cent inflation.

Mr Doshi has warned that already credit squeez-induced recession has set in. The pertinent cases he has cited are those of commercial vehicles and tractors for which credit is required by the buyers as well. The credit squeeze has led to non-repayments against orders and cancellation of orders, besides accumulation of finished stocks. The recessionary tendencies in the commercial vehicles and tractors markets, in fact, have been borne out by a study by the Ministry of Industry.

Pointing out that the production figures for the first quarter of the current calendar year were very dismal, Mr Doshi has observed that the credit squeeze will affect the export market as well. Most of the industries which produce both for export and domestic markets, he fears, will not be interested in producing only for export.

Promising Export Areas

India, Mr B.S. Thacker, Executive Director, State Trading Corporation, feels, must concentrate particularly on two fields to augment exports. This, of course, does not imply that it should not squarely face up to the global trade trends. The two promising export fields for it are agro-based products and skilled and technology oriented industries such as consumer electronics, automobile ancillaries, etc.

The potential for developing exports of agro-based industries as well as agricultural products, according to Mr Thacker, is tremendous. In 1981-82 these exports have registered a marked increase. India has a vast reservoir of skilled and technical manpower which can be utilised for multiplying fast engineering exports. In fact, the Association of Indian Engineering Industries has set before itself the task of pushing up these exports to around Rs 9,000 crores by 1990-91—ten times the exports in 1980-81. There is also obviously need for gearing our production and infrastructure to meeting the ever-changing demand and competition abroad.

Technology imports, Mr Thacker believes, need not be frowned upon. We must keep ourselves up-to-date in technology and cannot afford total self-reliance in all aspects of technology. Technological developments are taking place fast. We must keep abreast of them, though our intermediate technology may be found useful by various developing countries in a similar state of development as ours.

The STC is endeavouring to push up non-canalised exports to as large an extent as possible, finding new markets and introducing new items in the export list. Through canalised imports, it is trying to bring in commodities at competitive prices. The thrust on the export front is also to optimise unit-value realisation, develop new items and support production of exportable goods in general.

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Window on the World

Japanese Worry Over US Trade Policy Debate

V. Balasubramanian

For the second time since the major economies of the non-communist world had come together after the last world war to organise systems of economic co-operation to prevent a return to the beggar-thy-neighbour practices of the inter-war period their business relations are tensing up for a major shake-up. The first was President Nixon's decision in 1971 to abolish the monetary link between the dollar and gold, thus signalling the current phase of floating rates in international currency values.

On that earlier occassion, the purpose was to update Bretton Woods once the discipline of fixed par values had become difficult to practise or even unacceptable because of the problems created by the divergent inflation or economic growth rates among the industrial countries and the differing socio-economic needs or goals of their national policies. Now, what is being attempted is to have a close, hard look at the General Agreement on Tariffs and Trade (GATT) some 33 years after it has been set up. The United States, which had provided the leadership in the Forties for the establishment of the International Monetary Fuud, the International Bank of Reconstruction and Development and the GATT, besides several other instruments of economic collaboration among countries of the non-communist world, is also taking the initiative in this process.

This American effort is being set in two time-frames — one immediate and the other a longer one, but not too long a period, starting, hopefully, in 1983 for ministering to the needs of the years beyond. The latter exercise, described in broad terms, would aim at augmenting the concept of GATT to take care of problems in international trade relations which have surfaced or are surfacing beyond the area of its original jurisdiction which, essentially, is the commerce of nations in tangible goods. The Reagan administration feels strongly that the structure of multilateral trade negotiations needs to be reinforced by the organisation of similar disciplines on national practices affecting the international commerce in services and investment. The argument is that wherever these practices tend to be restrictive, the principle of a free world trading system confined to tangible goods works to the disadvantage of countries whose exports of services or investment capital are obstructed. It therefore has a programme of consultations with other members of GATT, starting in November this year, for studying possibilities of updating the GATT machinery, or if that is not possible, establishing complementary machanisms for multilateral negotiations or bilateral agreements in a multilateral framework for liberalising international flows of services and investments.

Small Talk from Washington

More immediately, the US seeks to use the GATT machinery where available or its own clout as politically and economically the most powerful as well as the world's largest trading nation to persuade or pressurise its major trading partners to "open up their markets", as the phrase goes here, for American commerce, including services and investment, in the same way as the US market is claimed to be open to other countries. This short-term time table has three urgent aims. The most pressing of them is to secure as early as possible significant eliminations in what the Americans perceive to be non-tariff barriers to their exports to Japan. Very close to it in the list of priorities is the withdrawal of C nadian restrictions on US investmen in that country. Then comes the redu tion in the European Economic Comm nity's restrictions on agricultural impor from the United States.

Strong-arm Methods

The Reagan administration realises tha it may have to use strong-arm method especially with Japan and Canada — anc indeed, it has already been twisting Japanese arms to restrict automobile export to the US market. It is also awar that this will spoil the effects of its othe longer-term exercise to project itself as crusader for a new trading system libera beyond the dreams of GATT. But ther is precious little that its political option may permit it to do by way of sacrificin immediate gains even for more endurin long-term benefits. Currently there is Dragon's teeth standing crop of bills i Congress through which powerful business and labour lobbies are calling fo retaliatory trade curbs as a means o obtaining freer entry for American goods to the markets particularly of other industrial countries and notably of Japan. Although the Reagan administration, to start with, was prepared to accept the argument that the concept for this legislative rearmament was the unexeptionable principle of reciprocity, which was also the raison d'etre of GATT and the multilateral trade negoteations (MTN) approach, it has now begun to feel rather uncomfortable with that word and is showing a distinct preference for the notion of equity, explaining that it hopes that the Japanese will agree to do unto the Americans no more and no less than what the Americans have been doing unto them in matters of trade.

The clamour for "reciprocity", as chambers of commerce, the AFL-CIO and other labour influences and Congressmen sensitive to constituency pulls and pressures understand the term, however, is unlikely to die down. In fact an entire session of the subcommittee on trade of the Senate Finance Committee was recently taken up by arguments between leading Senators and administration big guns whether reciprocity was or was not just protectionism by some other name. The Reagan administration is acutely concious of the fact that any appearance on its part of giving up the philosophy of an open trading system for the international community would grievously compromise its vaunted faith in the magic of market place as, to borrow a favourite Reagan phrase, "the last best hope of mankind", Americans and others. Therefore, although on a practical plane, it has made use of the protectionist wave in Congress and country, to force the Japanese to put a ceiling on their automobile exports to the U S market as the price for saving themselves from American legislative quotas for imports, it does not want to write the tactics of retaliation formally into its strategy of trade negotiations with Japan or other countries.

Market Access

Sub-committee Chairman, Senator Danforth has explained and defended the "reciprocal market access" legislation, now before Congress, in the following words; "In the last few months, this beleagured term (reciprocity) has gotten a bad name. The fact is, 'reciprocity' is a long-standing concept in the vocabulary of trade—not a new word—notwithstanding the recent attention lavished on the term. . . . In trade policy, reciprocity means that the United States ought to enjoy — and actively seek —the same degree of commercial opportunity that we routinely *accord* to others. To equate this concept with protectionism is indeed far-fetched . . . . . the concept of reciprocity is a basic tenet of the General Agreement on Tariffs and Trade and enjoys a distinct place in U S trade law . . . . . Reciprocity was a key component of the (US-Japanese trade) communique (issued in January, 1978) . . . . . that their joint objective was to achieve basic equity in their trading relations by affording to major trading countries *substantially equivalent competitive opportunities on a reciprocal basis*. The communique also makes reference to the desirability of precisely what we are here to achieve: parity in trading relations and equivalent openness of markets".

Reciprocity Concept

Senator Heinz, a member of the subcommittee, tried to summarise the idea of reciprocity by a series of dictums:

It is intended to open others' doors, not shut ours;

It is concerned with market access, not absolute trade levels or bilateral balances;

It approaches trade problems broadly, not sectorally;

It provides tools which are discretionary, not mandatory;

It is concerned with barriers to services and investment as well as goods;

It is directed at many countries, not just Japan; and

It is intended to strengthen the multilateral process, not to weaken it.

Senator Heinz, proceeding said "These principles make clear the tactical nature of reciprocity. The proposed leglisation is to be used as leverage to achieve our open market objectives. In some case, like Japan, I have no doubt that the authority provided will have to be used. In other cases, reciprocity legislation will help bring negotiations to a satisfactory conclusion by making clear what actions can be taken if negotiations fail and by creating the presumption that they will be taken in that event".

Testifying at the hearing, Senator Glenn (the first American astronaut to orbit the earth), pleaded particularly the case of trade in high-technology exports. He said : "Active enforcement of our trade agreements, negotiation of mutual reductions of tariffs on specific products, effective monitoring of — and authority to offset—trade distorting practices and expansion of policy to include trade in services and investment are all important steps we must take in response to the international challenge. To these I would add one additional element. And that is to provide our Special Trade Representative with a mandate to negotiate liberalised trade in high technology areas, in accordance with the principles embodied in the policy measures I just mentioned.

"I believe such a mandate is important because of the unique nature of the high technology trade. The pace of change in high technology industries is exceptionally fast and today we stand poised at the edge of dramatic breakthroughs that will revolutionise the way we live. Moreover, innovation in these areas comes largely from small and developing firms. The rapid rate of change and the small size of most firms preclude our consideration of lengthy antidumping or countervailing investigations as a remedy to unfair trade practices. Our high technology industries simply cannot afford the time or money required by these procedures. For these reasons I feel it is important to grant specific authority to move forward vigorously in negotiations on high technology trade to liberalise acces to world markets and reduce tariffs whenever possible. Though none of us can predict the future, we do know that the cutting edge of the world's economy lies in knowedge-based industries. By removing the obstacles to free trade in these areas, we can realize the growing potential of American creativity and reaffirm the confidence of our people in the good faith of our trading partners and the authority of GATT. But we must act now before that confidence is lost."

Key Proposal

Ambassador William E. Brock, Unite States Trade Representative, was pu through his paces by subcommitte members who wanted to obtain from hin a clarification of administration attitude towards the key proposals of the trad legislation which Congress was workin on. Because of the apprehensions create abroad, especially among America major trading partners that the Reaga administration may not be able to resi making significant surrenders to domest protectionist pressures, Brock had t state very firmly that "internationally w will pursue policies aimed at the achievement of open trade the reduction of trade distortions", but it has to be borne in mind that "a distorted use of reciprocity could undermine an already vulnerable multiltaeral trading system, trigger retaliation abroad, further depriving the US of export markets and erode, if not eliminate our role as the world leader in liberalising international trade".

Sorting out the proposals in the pending bills in terms of what the administration was willing to support and what it would find difficult to endorse, Brock said that it would welcome the clarification of the President's authority to negotiate international agreements for services by the inclusion of services in the scope of investigations of unfair trade practices by other countries. This could be in addition to a specific mandate the administration would seek from Congress to negotiate a multilateral framework agreement for trade in services.

Drop in World Trade Since 1958

The US dollar value of world exports in 1981 declined from the 1980 figure of US$1,873 billion, based on the preliminary etimate reported in the April issue of International Financial Statistics, *a monthly publication of the International Monetary Fund. This would signal the first aunual decline in the dollar value of world trade since 1958. For the industrial countries, there was an estimated export decline of 2 per cent in dollar terms, or somewhat less than the 3 per cent decline in the composite index of unit value of exports for the group, between* 1980 *and* 1981. *A sharper decline in the value of industriral countries' imports seems likely, of about 5-6 per cent. The January* 1982 *returns for industrial countries indicate a continuing slowdown, with combined export receipts nearly 19 per cent below December* 1981 (*but only* 1 *per cent below January* 1981). *For the oil exporting countries, the US dollar value of exports may have dropped by as much as 9 per cent, despite an increase of* 12 *per cent in the index of export unit value for the group between 1980 and* 1981.

President's Authority

Second, a clarification of the President's investigative authority with respect to unfair foreign practices in the area of investment would also be desirable. While it has always been and will continue to be US policy to welcome market-oriented direct foreign investment, it is also US policy to obtain equity for US investors abroad to the greatest degree possible. Brock then suggested that the administration would have Congress examine the desirability of presidential authority to negotiate the reduction of barriers to trade in high-technology goods, including reduction of US tariffs in exchange for equivalent concessions.

What the administration would be reluctant to go along with, said Brock, were those proposals which could have the effect of committing the President to seek or appear to be seeking bilateral, sectoral or product-by-product reciprocity from America's trading partners. In this context, he stated: "The concept of what we would term 'global reciprocity'— is, the belief that the aggregate benefits derived by each party to the GATT are substantially equivalent to concessions given by any other party—has been the principle underlying our world system for trade in goods since the inception of the General Agreement in 1948. Though the GATT and most-favoured-nation (MFN) system have fallen short in some ways, the United States and other countries have greatly benefited from this system. Therefore, we intend to adhere to our mutually accepted obligations under the GATT and that must discipline our understanding of the reciprocity principle".

On this basis, he rejected congressional moves for legislating in reciprocity-type language of a kind that would "constitute a new independent standard for unilateral action, under the President's statutory authority for instituting investigations into unfair trade practices by other countries. In other words, he opposed proposals for laying a mandatory obligation on the President to negotiate for reciprocity on a bilateral, sectoral or product-by-product basis, since that would undercut any realistic negotiating position. By the same token, he opposed any legislative requirement that the administration should regularly catalogue and submit to Congress foreign barriers to US exports with a view to linking these lists to investigative action into foreign unfair trade practices as provided for in existing trade legislation. He pointed out that it would not be consistent with the United States' GATT obligations to characterise a particular foreign pracitce as violative of GATT codes before the international dispute settlement body could review the issue.

This posture was obviously not to the liking of the reciprocity "hawks" on the subcommittee, who tried to win more satisfying concessions from the Secretary of Commerce, Malcolm Baldrige, reputed to be more sharing of their thinking. However, he too proved reluctant to go beyond the position taken by his colleague in the adiministration on the issue of market access legislation, although he did not mince words in castigating foreign disloyalties to an open world trading system which, he said, were forcing disillusionment on the American faithful. He complained of "export credit subsidies, closed distribution channels, regional investment incentives and hundreds of other devices which prevent the functioning of free markets" and, by implication, fuel protectionist sentiments even in the United States by exposing the US economy to assault by these distortions in an open world trading system. But he was also opposed to Congress imposing a statutory mandate on the President to employ or threaten to employ retaliatory curbs as a negotiating tool in bargaining with foreign Governments restricting market access to US goods, services or investments. As a sop to Cerberus, however, he offered to work with congresional committees on legislation for a new statutory authority that could strengthen the President's hand in trade negotiations by permitting the administration to entertain domestic complaints based on nequitable market access.

Cautious Step

The administration's caution and circumspection in fencing with the "reciprocity" demands in Congress are clearly dictated by the hard truth that foreign trade is not wholly a matter of commercial policy, for a great deal of it is also an affair of foreign policy, with links to defence policy. This is where Secretary of States Alexander Haig and Defence Secretary, Caspar Weinberger have been able to weigh in with their inputs into the reciprocity debate. The latter's concern is not so much that Japan is exporting too many cars to the US or that it is importing too few computers from the US, but that it is refusing to the extent the Americans think it should and is thereby successfully avoiding what Americans believe is its due share of the financial burden of common defence against the Soviet Union. Recently he was in Japan to try and persuade the Japanese Government that part of the Japanese trade surplus with the United States could be best used up by boosting the Japanese defence budget and thereby relieving the United States of some of the high cost of its security-related global strategies, He therefore does not want the Japanese to be rubbed the wrong way where it might upset them the most, to wit, their foreign trade.

Secretary of State Haig is even more convinced that the priorities in US relations with Japan should not be narrowed down to the salvaging of Detroit. This is why he has been plainly uncomfortable at not being permitted to play a sufficient role in the framing or conduct of administration policy for getting the Japanese to restrict their exports of automobiles to the US. Having made the alliance his special and specific responsibility, Haig worries that the trade hawks might create problems with Japan for US foreign policy just at a time when the Atlantic allies— and also China— are far from being at ease with several aspects of that policy. This is clearly one of the major reasons why Trade Representative Brock has been charged with employing congressional protectionism as an "incentive" to the Japanese to be accomodating than as a threat to them to stand up and deliver. This could also be the reason why, although the United States has just gone to GATT with complaints of unfair investment relative practices by Canada, it has refrained from ganging up with the European Community which has taken the Japanese to the same tribunal to answer charges of violating trade codes. In this kind of situation, it could be the case that the Reagan administration is hoping as much for its own sake as for the sake of the Japanese that the latter would come up with sufficient liberalisations of non-tariff barriers in the next few months to blunt the edge of congressional demand for retaliatory curbs on Japanese trade in goods and services as well as direct investments in American business.

OPEC's Surplus Vanishes

ONCE AGAIN a massive OPEC surplus has disappeared. This time around, it shrank even more quickly than after the 1973-74 price shock. In 1980, the combined current-account position of the OPEC membership showed a surplus of nearly $110 billion. Over the first half of this year OPEC will incur a significant current-account deficit. For 1982 as a whole, the best OPEC can expect is a current account that is close to balance, and an aggregate deficit of $15 billion or so is clearly possible.

The decline in the OPEC surplus last year reflected both a rapid growth of imports and a decline in oil revenues. The shift this year is primarily the result of reduced oil revenues, particularly lower export volumes. OPEC oil exports (excluding natural gas liquids) in 1981 average 19.6 million barrels per day (mbd). This year the volume of oil exports is projected to fall in the 16-17 mbd range, implying total OPEC production of 19-20 mbd. The higher estimate presumes about a 2 per cent fall in Western oil consumption compared with last year and an average stock drawdown of 1.2 mbd. For this estimate to be realised, however, there must be a significant recovery in the level of economic activity in the OECD countries over the second half of the year.

Sharp Fall

While there has been much speculation as to the possibility of a sharp fall in oil prices from current levels, the suspicion here is that the current structure of OPEC contract prices will hold through year-end. However, significant discounting in various forms, such as spot sales and bilateral arrangments, over the next quarter or two will result in an average effective price of roughly $32.50—less than the projected average contract price for 1982 as a whole of $33.20.

The $110-120 billion swing in OPEC savings over the past two years is a shift of enormous magnitude—close to 1 per cent of the combined GNP of the non-centrally-planned economies. This has been offset in part by savings increases in oil-importing countries, but *ex ante* global savings have clearly been reduced. This shift has probably had little if anything to do with the very high level o real interest rates of the past year. Looking forward, however, the reduction i global savings implied by the disappearance of the OPEC surplus could prove to be a significant offset to th downward push on real borrowing costs implied by the prospect of a resolution of the conflict in the US between inflation expectations and Federal Reserve money growth targets. In short, real interest rates could stay higher for longer than had been expected.

Prospects of Nylon Tyre Cord Industry

THE NYLON tyre cord industry has been operating at nearly 100 per cent capacity in order to meet the requirement of the tyre industry. This is in spite of the fact that the industry has faced problems on account of power shortages and inconsistent quality of raw materials. It is to the credit of this industry that the price rise of its product has been reasonable. For instance, between 1977 and 1981, the cost of nylon tyre fabric has increased the least as compared to other critical inputs of the tyre industry. A recent article in *Rubber India* stated: "It has been pointed out that between 1977 and 1981 the costs of some of the critical inputs used by the industry have gone up between 33 aud 178 per cent. The breakdown of the component items showed that over the period the price of natural rubber has gone by 114 per cent, that of butyl rubber by 73 per cent, that of synthetic rubber by 106 per cent, that of carbon black by 150 per cent, zinc oxide by 45 per cent, accelerators by 83 per cent, rayon fabric by 60 per cent, nylon fabric by 33 per cent, rubber process oil by 50 per cent, solvents by 102 per cent and furnace oil by 178 per cent."

Unit	Existing Capacity (TPA)	Capacity after expansion/ implementation (TPA)
JK	3000	5000
Nirlon	2190	5000
SRF	3000	5000
NRC	3300	5000
BRC.	2000	4000
Modipon	—	4000
Madura Coats	—	6000
Century Enka	—	2200
Garware	—	2000
Bharat Steel Tubes	—	6000
Rajasthan Spg. Mills	—	6000
	13,490	50,200

The rapid growth in the demand for nylon tyre cord prompted the five producers of tyre cord as well as many others to approach the Government for licensing expanded and new capacity. The Government has granted expansion licenses to all the existing manufacturers: (Table below), Government has also granted letters of intent to each and every applicant for the capacity that was requested for.

Basic Fact

It is a well known fact that marginal expansions particularly of chemical and synthetic fibre plants are far more economical than setting up new plants. In this particular instance, it may be pointed out that a new plant would cost atleast 3 to 4 times that of expansion of a similar capacity. It is estimated that a new plant today would cost approximately Rs 1.5 lakhs per annum tonne of installed capacity.

From the above it will be noted that the Government has allowed a four-fold increase from approximately 13,500 MT per annum to 50,000 MT per annum to which can also be added 25 per cent increase in production allowed over and above the licensed capacity and another 5 per cent per annum automatic growth which is permitted till 1985.

A recent study made by the National Council of Applied Economic Research (NCAER) projects the demand for automobile tyres over the current decade (1981-90) and estimates that the demand for nylon tyre cord is expected to grow at a rate not exceeding 8 per cent per annum (compound.). Projected over this period, the expected demand for this product is estimated as follows :

Year	Anticipated Demand (MT
1981-82	16,500
1983-84	19,000
1985-86	22,500
1987-88	26,000
1989-90	30,500

This does not take into consideration the fact that radial tyre technology is bound to make definite inroads into the field of truck and bus tyres in due course. It is likely that the radial tyre technology would replace nylon tyre cord by steel tyre cord in many instances.

From the above it is evident that if new units come up and an idle capacity is created, they would be the ones who would be the worse hit. All the existing tyre cord manufacturers are expanding their capacities with marginal and balancing equipments. The high capital base of new units would naturally result in a much higher cost of production thereby making them highly vulnerable.

It may be pointed out that Shri Ram Fibres along with the other existing manufacturers of nylon tyre cord are rapidly expanding their capacities which should start becoming available to the tyre industry by the end of 1983. As far as the existing producers are concerned the economies of scale by way of expansion would always make them a viable proposition even in times of over supply. It may be added that Shri Ram Fibres like other units is also planning to diversify into new fields of activities in the coming years. In addition to producing nylon tyre cord, it has also diversified into manufacture of high tenacity nylon fishnet twines and other industrial yarn. It is also making efforts in the production of various grades of nylon moulding powder as an engineering plastic.

Point of View

Why Farm Taxation Must be Raised

N. L. Bapat

Commensurate with the tax-payer's ability to pay, the principle of justice in taxation requires an equal distribution of the tax burden among the different sectors of the country. The per capita tax paid by the urban people in 1981 was more than four time that paid by the rural people. In terms of percentages of the tax to the per capita income, the disparity is found to be 2.25 times between the rural and urban sectors. It is only a small number of big farmers that own a large proportion of land. The author advocates that this class of big farmers should be called upon to bear additional tax burden. This he states is in consonance not only with economic justice but also social justice.

RECENTLY, THE Planning Minister, Mr S.B. Chavan, expressed the view that inflation would not erode the Sixth Plan resources provided that the States fulfilled their targets of additional resources mobilisatfon as promised. Efforts made during the last two years have been found to be uncommensurate with the targets. Hence, the Planning Commission advised the States to step up the taxation on the agricultural sector. The Union Finance Ministry, as well as many expert commissions in the last decade, such as the Taxation Enquiry Commission, have given the same advice to the States. Why is such demand for an upward revision of farm taxation so often made ?

The principle of justice in taxation laid down by the Father of Economics, Adam Smith, says that as far as possible, the burden of taxation should be equally distributed among the different sections of the economy, The Indian economy is generally divided into two broad sectors—rural and urban. Is distribution of taxation in India among the two sectors in accordance with the said taxation principle?

No official efforts appear to have been made to find out the comparative share of each of those two sectors in the total tax mobilisation. Admittedly, there are many practical difficulties in undertaking such an exercise. However, on the basis of certain reasonable presumptions, it is not too difficult to arrive at the share of each sector. An attempt is made in this article to compare the incidence of taxation on the rural and urban sectors in 1951-52 with that in 1980-81.

The Taxation Enquiry Commission 1953-54 (Chairman Dr John Mathai) had analysed the incidence of certain indirect taxes and found out that the shares of the rural and urban sectors in indirect taxes were in the ratio of 1:2 in 1952-53. We assume that the said ratio also held good for 1951-52, just one year earlier. For 1980-81, that ratio is treated to be 1:1 for the reasons stated below.

Fundamental Change

Since 1952-53 when an investigation was carried out by an expert body, the rates of indirect taxes have undergone changes on numerous occassions. Many new goods and services were brought under their purview. Essential as well as non-essential commodities and luxury goods have been newly taxed since 1952-53. As such the impact of commodity taxes on the rural and urban sectors has undergone a fundamental change. It could not have remained the same in 1980-81 as it was in 1952-53.

Indirect taxes are mainly taxes on consumption, Hence, their incidence may be said to be in proportion to the consumption expenditure in each sector. Indeed, this was the assumption made by the taxation enquiry commission and the various finance commissions while fixing the share of each State in the aggregate share of all States put together. But all those expert authorities did not assume the incidence to be in exact proportion to the consumption expenditure of each sector for the following reason, The per capita income in the rural area is about half of that in the urban area. Hence, most of the consumption expenditure in the rural area is on the necessities for life. The indirect taxes on such goods and services are at a very low rate in India, where of course such goods have not been completely exempted from the taxation. This is understandable for the practice everywhere, in other countries, is the same, particularly the practice in poor countries like ours.

Consumption Outlay

On the other hand, in urban area, a comparatively large part of the consumption outlay is on luxuries and comforts. Taxes on such commodities are at much higher rates in India as elsewhere. I hasten to add that the word consumption expenditure on luxuries and comforts is larger in Indian urban area in a comparative sense only, not in an absolute sense. Compared to the consumption expenditure on luxuries and comforts in rural area, urban sector's similar expenditure is much larger, both in absolute and percentage terms.

Rural and urban incomes were in the ratio of 2:1 in 1980-81. But savings as a percentage of per capita income were larger in urban area. But the rural area is quite vast in India. Hence, the **absolute** amounts of savings in those two sectors must be more or less the same in view of the larger aggregate rural income. As such, the total consumption expenditure in those two setors can be said to be in the same ratio as their incomes, namely 2:1. But as pointed above, the rural sector as a whole must be paying

TABLE I

Burden of Taxation—Rural and Urban : 1951-52

(Rs crores)

	Tax	Ratio of Division	Total Collection	Rural	Urba
1.	Taxes on income and corporation tax	0 : 1	188	—	188
2.	Taxes on commodities and services	1 : 2	469	156	313
3.	Agricultural income tax & land revenue	1 : 0	55	55	—
4.	Stamps and registration	1 : 1	27	14	13
5.	Urban moveable property	0 : 1	2	—	2
	Total		741	225	516
i.	**Population (In crores)**		36.11	29.87	6.24
ii.	**Per Capita Incidence of Tax (Rs.)**		20.50	7.60	82.80
iii.	**Per Capita Income (Rs.)**		274.20	201.00	463.00
iv.	**Percentage of ii to iii**		7.50	3.80	17.90

indirect taxes at a lower rate than the one paid by the urban sector,

Further, some of the basic necessities such as foodgrains are fully exempt from indirect taxation. The rural consumption expenditure on such necessities is substantial, which is quite obvious. It may be added that even now, a large proportion of rural transactions is of barter nature. Indirect taxes cannot be levied on such transactions at all. Indirect taxes such as entertainment tax, motor vehicle tax, tax on motor spirit etc. . . are hardly paid by the rural people. In view of all those factors, the burden of taxes on commodities and services has been divided in the ratio of 1:1 between those two sectors in 1980-81. It is shown in Table II.

Upward Bias

Non-agricultural income-tax and corporation tax have obviously been paid fully by the urban population only. Hence, the impact of those taxes has been entirely apportioned to the urban sectors in both years. On the other hand, agricultural income-tax and land revenue must clearly be assigned to the rural sector in its entirety. In the same way the proceeds from the urban property tax have been allotted to the urban sector. It is conceded that there might be a few cases where these three taxes, namely non-agricltural income-tax, corporation tax, and urban property tax are paid by the rural inhabitants. But such cases are bound to be very small and, therefore, are overlooked. This may, however, lend a somewhat upward bias to the taxation paid by the urban population. This bias would be set right later on.

As regards stamp and registration fees, in 1951-52, the burden is divided in the ratio of 1:1. At that time, tenancy legislation, land ceilings acts, and prevention of fragmentation acts had not been passed by the States. But such acts were expected to be enacted in near future. Hence, many hurried transfers had taken place at that time. That is why the burden of stamps and registration fees borne by the rural sector in 1951-52 might be just equal to the one borne by the urban sector. By 1980-81, the number of such property deals in rural areas must have gone down considerably.

On the other hand, the number of new companies and the number of share property transactions have increased substantially in the urban sector during the last two decades. As against it, rural population is quite prominent in India. Hence, ratio of division of collections from stamp and registration fees is taken as 1:2 between rural and urban sectors respectively in 1980-81.

Other direct taxes such as profession tax, estate duty, wealth tax, and gift tax were not being levied in 1951-52. Hence, the question of dividing their proceeds between rural and urban areas in 1951-52 does not arise. As regards this division in 1980-81, we have mainly relied on the study entitled "Distribution of Income in the Indian Economy 1973-74 to 1976-77" published in the RBI Bulletin of September, 1980. Accordingly, it is found that the high-income group in urban area had an annual average income of Rs. 1,457 crores, at current prices during those four years.

The average income of rural high-income group at current prices was Rs 467 crores per year during that period of four years. It is presumed that this proportion with some minor changes as specified below held good in 1980-81 also. It is furthe assumed that the above four taxes (name ly, profession tax, estate duty, wealth tax and gift tax) are paid by the high-incom groups and as such, the ratio of suc income in rural and urban sectors woul be a reasonable index for dividing th revenue from those taxes between thos for two sectors.

As stated above, we do not intend t use the above proportion here in toto It is naturally expected that some change in the ratio in each case would be found necessary, though we would keep such modifications only marginal. For exampl for many years, agricultural property wa not being taken into account while deter mining the liability of a tax-prayer unde the wealth tax. A small beginning wa made in the 1973-74 Union budget in tha direction. The process was further taken up in the successive year. Of course there were some tax-payers deriving non-agricultural income from rural areas before 1973-74. They must have therefore paid some wealth tax. Hence, the collection from the wealth tax before 1973-74 is not likely to be entirely nil in the rural sector.

But this collection from the rural areas must be small before 1973-74 and must have gone up quite appreciably since 1973-74, Hence, the 1980-81 proceeds from wealth tax have been divided in the ratio of 2:5 between rural and urban sectors, respectively, though the above-quoted Reserve Bank study would put that proportion as 1:3.

For the distribution of estate duty, the ratio of 1:3 as given by the Resreve Bank study has been accepted. As regards the profession tax, its proceeds have been entirely assigned to the urban sector. This tax is levied on non-agricnltnral professions and is paid by those who have incomes above a certain limit. Pleaders, bank officers, college teachers etc., are the main categories of people paying this tax. They function largely in urban areas, though there must be a few working in rural areas. But they have been overlooked here. As regards the gift tax, some gifts might have been made by the urban rich from their incomes from the undertaxed agriculture. Hence, the revenue from the gift tax has been divided in the ratio of 2:7.

Interest Tax

As regards interest tax, proceeds from this tax in 1974-75 were just Rs 11 crores. They went up to Rs, 115.8 crores in 1977-78, but slowly declined to just one crore rupees in 1979-80. In 1980-81, the revenue showed an increase to Rs 80 crores. This is a tax on the interest earnings of commercial bank and private individuals keepings fixed deposits with companies. This tax is assigned wholly to urban area, as commercial banks mainly function in the urban sectors and those individuals who keep their savings in the form of fixed company deposits are likely to belong to the urban area. The entire discussion has been summarised in Table II.

The data regarding the distribution of rural and urban population have been taken from the respective census reports. In 1951-52, the rural and the urban population was in the ratio of 83:17. By 1980-81, there has been lot of migration of rural population to urban areas in search of livelihood. At present, only provisional figures of the 1981 census are available, According to paper 2 of the 1981 census, the ratio of urban and rural population has changed to 23.7:76.3 with 638 million rural population and 482 million urban.

TABLE II

Burden of Taxation : Rural and Urban : 1980-81

(Rs crores)

	Tax	Ratio of division	Total Collection	Rural	Urban
1.	Tax on income and corporation tax	0 : 1	2,941	—	2,941
2.	Taxes on commodities and services	1 : 1	14,649	7,324	7,325
3.	Agricultural income-tax & land revenue	1 : 0	245	245	—
4.	Stamps aud registration	1 : 2	393	131	262
5.	Urban property tax	0 : 1	6	—	6
6.	Profession tax	0 : 1	62	—	62
7.	Estate Duty	1 : 3	13	3	10
8.	Wealth tax	2 : 5	65	9	56
9.	Gift tax	2 : 7	6	2	4
10.	Interest tax	0 : 1	80	—	80
	Total		18,460	7,714	10,746
i.	**Population (In crores) 1981**	23.7:76.3	63.8	48.2	15.6
ii.	**Per Capita Tax (Rs.)**		289.0	160.0	689.0
iii.	**Per Capita Income (Rs.)**		1,020.0	827.0	1,600.0
iv.	**Percentage of ii to iii**		28.3	19.3	43.1

Notes : 1. Figures for 1951-52 are "accounts" figures, whereas 1980-81 data indicate "revised estimates" figures. 2. Taxes at serial numbers 6 to 10 in Table II were not being levied in 1951-52.

Sources : 1. Annual Reports on Currency and Finance issued by Reserve Bank, for collection data. 2. Paper 2 of the 1981 Census for population figures.

Data regarding the per capita incomes in the rural and urban sectors for 1951-52 are easily available. The similar latest figures are available for the year 1975-76 only. In that year, the per capita income in the rural sector and the urban sector were respectively Rs. 468 and Rs. 912, that is, in the ratio of almost 1:2. On the basis of trends revealed by these figures, we have calculated the per capita incomes in the rural sector and the urban sector. We have also made use of the internal terms of trade measured by the ratio of the prices of manufactured products to those of agricltural products.

It has been found the such terms of trade show a two-way trend. At some times, the terms of trade become pronouncedlyfavourable to manufactures whereas in some other years, the favourable effect appears to be just marginal. The margin in favour of industry has widened in 1979-80 and 1980-81. With all such factors in mind, we have calculated the per capita incomes in the rural and urban sectors in 1980-81. All the data have been given in Table II.

From Tables I and II, it is seen that in 1951-52, the per capita tax paid by the rural population (Rs 7.60) was just one-eleventh of that paid by the urban population (Rs 82.80) whereas the per capita income of the rural people was a little less than half of that of the urban people In terms of percentages, it is thus foun that the rural people paid only 3.8 pe cent of their income to the governmen by way of tax. The said percentage wa 17.90 in the case of the urban population.

By 1980-81, the per capita income i the rural sector had grown faster tha that in the urban sector. This was to b expected in view of the fact that in recen years, the prices of foodgrains have rise much faster than those of the manufa tured goods. As the per capita income is shown at current prices, this disparity in the increases in prices is naturally reflected in the rates of growth of per capita incomes in the two sectors. Hence, in 1980-81, the per capita income in the rural area is found to be slightly more than half of that in the urban sector.

The per capita tax paid by the urban people in 1981 (Rs 689) is found to be more than four times that paid by the rural people (Rs. 160) in absolute terms. In terms of percentages of the tax to the per capita incomes, the disparity is found to be 2.25 times between the rural sector (19.3 per cent) and the urban sector (43.1 per cent) in 1980-81. Thus, compared to 1951-52, the disparity between the burden of taxation on rural and urban sectors has certainly been narrowed down by 1980-81. Still, the gap appears to be quite wide. As the income in the rural sector consists of mainly farm income, the above conclusions may be applied approximately to show the disparties between the tax burdens on the agricultural and non-agricultural incomes.

Yawning Gap

How can this yawning gap be removed and balance in tax burden restored ? The principle of justice in taxation requires an equal distribution of the tax burden among the different sectors of the country, commensurate with the ability of the tax-payer to pay the tax. Hence, a wholesale upward revision of the agricultural taxation would not be proper. It is necessary to exempt the small farmer, say all those cultivating land below five acres or so, and obtaining mainly food crops. Even though the holdings larger than five acres in area amount to only 40 per cent of the total holdings, the area covered by them is almost 80 per cent of the total cropped area in India. This shows that a small number of big farmers cultivate a large proportion of the land. It is this class of big farmers that should be called upon now to bear the additional tax burden. There is a need for such a selective approach to the problem of upward revision of taxation on the agricultural incomes. Such an approach has some excellent justification too.

Invariably only such large holdings benefit by the price rise of the agricultural commodities. As far back as in 1946, the Naidu Committee had pointed out that in the Second World War period (1939-46), only the large farmers benefited from the rise in the prices of foodgrains and other agricultural products. Even today, only this class is reaping the advantage of the rising foodgrains' prices. This could be expected, for only big farmers have a large marketable surplus to sell. Moreover, these big farmers are obtaining cash crops from their lands, as they possess the necessary knowhow and capital for investment in land. The small farmer consumes most of the foodgrains he produces and hence he cannot reap the profits out of the rising foodgrain prices. For want of capital, the small farmer cannot go to for cash crops too.

Urgent Necessity

Not only from the angle of economic justice but also from the social justice angle, taxation of rich farmers has become an urgent necessity. It is found that the efforts made by the Goverment agencies to acquint the agriculturists with developed technology have, by and large, helped only the affluent farmers in the countryside. Although special care is taken of small and marginal farmers' interest at the policy-making level, it is this section which has benefited the least from the various plans launched by the Government agencies working in rural areas.

A visit by journalists to some villages in Raisen and Bhopal districts, where the Union Government's save grain compaign office was busy observing a "rodent control week" underlined this fact. Wealthy farmers having 60 acres or more land were all praise for the campaign officials and their "missionary" zeal. By sharp contrast, agricultural woskers had not even heard of the programme. The small and marginal farmers who need the help complained of inadequate attention paid to them by the local officials.

Be it free demonstration service, training of farmers, distribution of pesticides or metal bins at controlled prices, the rich farmer only has benefited most from the programme. It wa found that the introduction of moder technology in village economy, instead c helping the poor, has helped only t widen the gap between the rich and th poor farmers. Further, the averag debt of an agricultural labour househol in India increased from Rs 148 in 1964-6 to Rs. 387 in 1974-75 with moneylender continuing their hold on credit suppl according to an official study. Unles the rich farmers are taxed suitabl their moneylending activities would nc be controlled.

To begin with the States should rais the land revenue according to thc provisions of land revenue code, to brin it in conformity with the rise in price and fall in the real worth of the rupee More serious attempts must be made i levy income-tax on agricultural income of big farmers There would be som initial administrative difficulties. Th farmers are not acustomed to maintai accounts, etc. Hence the assessment o agricultural income-tex would prov somewhat difficult.

Here we can draw upon the experienc of Latin American countries. They have prepared approximate tables on the basis of the fertility of land, type o crops obtained, size of farmers' family availability of water etc. for calculating the net income of the farmer and levied the tax accordingly. If a serious beginning is made, the States would soon get the necessary experience to overcome such administrative difficulties.

NOTICE

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CHIEF EXECUTIVE

Economic Interpretation of Sugar Crop Experiments

R. Srivastava

The author who is associated with the Indian Council of Agricultural Research, New Delhi, had set out to find the economic feasibility of modern technology in sugarcane crop. He prepared an economic model for weedicide experiments and another model for companion crop experiments. He gives here the results of the two experiments.

r IS a usual practice these days to ompare the treatments involved in the gricultural field experiments statistically. he design and the processing of data re undoubtedly integral part of the field xperiments. They clearly indicate ffectiveness of any treatment of the yield otential of varieties, etc. However, it s desirable that the economic viability of the treatments may be analysed. This would help us to find out the economic feasibility of modern technology.

In a country like India in which majority of the farmers are marginal or small cultivators, it is desirable to provide them technology which is not only advanced but also adoptable within their limited sources of finance. Therefore, it is necessary, while experimenting, to find out the economically feasible treatments for their crops.

Keeping this in view, an attempt has been made to provide an economic model to find out the economic viability of various treatments in the field experiments of crops.

(1) **Economic Model for Weedicide Experiments** : The mathematical model has been evolved for weedicide experiment of sugarcane by defining the profit indices for the various weedicides applied. The model for weedicide experiments is given below :

$$I_i = R_i (Pr - Pa) - a_i - C_o$$

Where I_i = Profit Index for ith weedicide

Pr = Selling price of sugarcane.

a_i = The cost of application of ith weedicide.

Pa = Carrying cost of sugarcane

C = General cost

R_i = Yield of sugarcane for ith weedicide

We have for jth weedicide

$$I_j = R_j (Pr - Pa) - a_j - C_o$$

Then for comparison we have

$$\widehat{I_j - I_j} = (R_i - R_j)(Pr - Pa) - (a_i - a_j)$$

Therefore we have test statistic for testing any two weedicides

$$t = \frac{\widehat{I_i - I_j}}{V(\widehat{I_i - I_j})}$$

This model was tested on a field experiment conducted at the Indian Institute of Sugarcane Research, Lucknow, under, "Studies on control of weeds in sugarcane field with particular reference to *Cyprus rotundus* (CSA 5) for the years 1971 and 1972. Results are given in Table I.

It is interesting to note from this table that trash mulch and normal weeding have turned out to be the most effective treatments in both the years. The differences between these treatments and other treatments are very huge. This is clearly an indicator that trash mulch and normal weeding are very suitable for the places where labour is no problem.

(2) **Mathematical model for companion crop experiments**: In this case, the model was build up by defining the

TABLE I

S. No.	Treatments	Profit Indices 1971	(In Rs) 1972
1.	2, 4-D sodium salt @3 kg/ha as pre-emergence application.	1865.67	1503.96
2.	2, 4-D Simazine @3 kg & 2 kg/ha respectively as pre-emergence.	1619.65	2124.65
3.	2, 4-D Karnex as pre-emergence	1576.86	1919.10
4.	2, 4-D Gramoxone @3 kg & 1.5 lit./ha. respectively as pre-emergence.	1694.88	1877.64
5.	Gramoxone + Karmex @1.5 lit. 2 kg/ha respectively as pre-emergence.	2243.67	1947.93
6.	Trash mulch	3267.37	4100.70
7.	No weeding	1361.52	1040.67
8.	Normal weeding & Hoeing.	3323.01	3917.28
	CD at 5% level of significance	**1776.05**	**2453.43**

profit indices for each system of companion crop. The model is as below:

$$I_i=(Pr-Pa)\,Ri+(ai-ri)\,T_i-C_o$$

Where I_i = Profit index for ith combination.

Pa = Carrying cost of sugarcane

Pr = Selling price of sugarcane

ai = Selling price of companion crop

ri = Cost of cultivation of companion crop

C_o = General cost

T_i = Yield of companion crop.

R_i = Yield of sugarcane in the system.

For companion of ith & jth combination jha + statistic is

$$t=\frac{\widehat{I_i-Ij}}{\widehat{V(I_i-Ij)}}$$

The model was tested on an experiment conducted at the Indian Institute of Sugarcane Research, Lucknow, entitled "Comparison of methods of planting under normal and late sown condition". The results are given in Table II.

From the above table it is clearly seen that treatment No. 2 i.e. Cane (autumn)-wheat gives the maximum profit. This i closely followed by treatment No i.e. wheat followed by cane (8626 technique).

TABLE II

	Treatment	Profit Index
T1	Cane alone in autumn	4360.65
T2	Cane (autumn) + wheat	6906.66
T3	Wheat followed by cane (normal 3 bud setts)	5645.61
T4	Wheat followed by cane (8626)	6799.66
T5	Wheat followed by cane (60 cm spring)	6434.16
T6	Wheat followed by cane (60 cm spring direct planting)	5278.11
T7	Wheat followed by cane (60 cm spring nursery setts planted horizontally)	5776.86
T8	What in November + Cane in Spring	4223.91

CD at 5% level of significance = 218.9029

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STATE OF THE ECONOMY

elaxation in Levy ement Allocation

HE GOVERNMENT had an-ounced its decision on partial e-control of cement on ebruary 27, 1982. It was ıen inter-alia decided that ement based industries will ot be eligible for levy cement. t was also stipulated that evy cement would be available only for construction of welling units having a plinth rea upto 80 sq. mts. There ave been representations both nside the Parliament and utside seeking relaxation in espect of both these cateories. The matter has been onsidered by the Government nd certain relaxations were nnounced in Lok Sabha on April 21, 1982.

In regard to small-scale nd tiny industries using cement as raw material, it has been decided that such units would be eligible for levy cement as the new 20 Point Programme envisages extending all facilities to such industries to grow and update their technology. In the case of dwelling units, the following relaxations have been made : (i) For urban agglomeration/towns/cities having a population of one lakh and above as per 1981 Census, the limit in regard to plinth area would be upto 100 sq. mts.

(ii) For urban agglomeration/towns/rural areas having a population of less than one lakh as per 1981 Census, the limit in regard to plinth area would be upto 120 sq. mts:

(iii) Subject to the above limits in the case of individual flats, levy cement would also be made available to Cooperative Group Housing Societies but not to commercial builders of multi-storeyed residential complexes.

Government would further like to clarify that the 'Socially oriented schemes' which are eligible for levy cement under the policy already announced would include the following: (i) Socially oriented schemes included in the new 20 Point Programme. (ii) Socially oriented schemes included in the revised Minimum Needs Programme of the 1980-85 Plan. (iii) Activities intended to promote welfare of Scheduled Castes/Scheduled Tribes like conversion of traditional latrines to flush type latrines etc. (iv) Places of worship (irrespective of religion) such as Mandirs, Masjids, Gurudwaras, Churches, etc. (v) Non-commercial educational institutions. (vi) All charitable/non-profit earning hospitals and dispensaries etc.

State Bank of India

The working results of the State Bank of India for 1981 indicate a total income of Rs 1413 crores as compared to Rs 1087 crores secured in 1980. Total expenditure during the year is Rs 1398 crores as against Rs 1075 crores last year. There is a 30 per cent increase both in income and expenditure. Net profit during 1981 has been shown as Rs 15.1 crores, a 25.8 per cent increase over last years Rs 12.0 crores. Deposits and other accounts had risen to 11,900 crores at the end of the year under review and advances (including bills) had gone up to Rs 8980 crores from Rs 7,210 crores in 1980.

During 1981, credit expansion of the bank amounted to Rs 1,362 crores (21.8%) as against Rs 1,088 crores (21.0%) in 1980. While the bank's food advances rose by Rs 166 crores in 1981 as against the fall of Rs 145 crores in 1980, non-food advances expanded by Rs 1196 crores (20.9%) as compared to Rs 1,233 crores (27.4%) in 1980. Of the total expansion of non-food advances. as much as 56 per cent, went to the priority sector.

In 1981, the bank's advances to the priority sector increased from Rs 2,268 crores in 1980 to Rs 2,942 crores in 1981. The number of borrowal accounts/units also went up from 40.4 lakhs to 47.2 lakhs. Since June 1969, these advances have registered a 17-fold increase in amount and a 107-fold rise in the number of accounts/units covered. These advances constituted 38.6 per cent of the total advances of the bank at the end of 1981 as compared to 17.5 per cent at the end of June 1969.

Target Exceeded

Agricultural financing activities of the bank gathered momentum, reaching Rs 1,440 crores during 1981. An increase of Rs 329 crores as against Rs 189 crores in 1980. These advances accounted for 18.9 per cent of the bank's total advances. The target of 16 per cent stipulated by the Government, to be reached by 1985, has thus already been exceeded. Direct advances to this sector increased by Rs 258 crores to Rs 1,189 crores.

The numcer of Agricultural Development Branches of the bank increased from 379 to 419 during 1981. Total advances of these branches rose from Rs 356 crores to Rs 462 crores during the year.

During the year, the number of villages adopted by branches other than ADBs increased from 34,420 to 39,483. The quantum of credit went up from Rs 355 crores (covering 12.9 lakh farmers) in 1980 to Rs 508 crores (covering 15.9 lakh farmers) in 1981.

Four new Regional Rural Banks were sponsored by the bank during 1981, three in Madhya Pradesh and one in Meghalaya. The total number of such banks now stands at 19, covering 34 backward and under banked districts. These Regional Rural Banks now have 901 branches and deposits of Rs 73.2 crores spread over 10.3 lakh accounts. Their total outstanding advances increased by Rs 27 crores to Rs 103 crores. These RRBs accounted for 19.5 per cent of the branches, 25.9 per cent of the advances and 23.8 per cent of the deposits of all the 104 RRBs in the country as at the end September 1981.

Village Industries

The bank's advances to village industries increased by Rs 6.5 crores to Rs 38.4 crores and the number of village artisans financed rose by 0.23 lakh to 2.30 lakhs in 1981. Such units accounted for 68 per cent of the total number of small-scale units financed by the bank.

The bank's advances to small-scale industries in 1981 crossed the rupees thousaud-crore mark, covering more than three lakh small units.

During 1981, the number of small business accounts on the books of the bank went up from 6.1 lakhs to 6.6 lakhs; the amount outstanding rose from Rs 304 crores to Rs 427 crores. At the end of 1981, 45 per cent of these advances were in backward areas.

The bank's advances number the differential interest rates scheme increased from Rs 68.4 crores at the end of 1980 to Rs 85 crores at the end of 1981. The number of accounts went up from 9.7 lakhs to 10.7 lakhs.

These advances accounted for 1.4 per cent of the bank's total advances at the end of the previovs year thus surpassing the target of one per cent stipulated by the Government.

During the year, under the Lead Bank Scheme the bank's disbursements totalled Rs 186 crores exceeding the accepted commitment. Against its total commitments of Rs 122 crores for the backward districts, the bank made distbursements of Rs 143 crores up to the end of 1981.

Despite the environment for international banking being unfavourable the bank's overseas operations showed a higher business turnover.

During 1981, the bank established a full service branch in Paris and a representative office in Jakarta, raising the number of overseas offices of all types to 39, spread over the major international money and foreign exchange markets in all the time-zones.

Overseas Network

At the end of 1981, the bank had 18 regular offices, 5 offshore banking units, 11 representative offices, 2 management contract arrangements and 3 affiliates spread over 25 countries. Total advances of the bank's overseas offices increased from Rs 753 crores in 1980 to Rs 1,047 crores in 1981, thus showing a rise of 39.0 per cent. During the year, the bank's London Office secured a mandate jointly with two other international banks for syndication of a loan of US $85 million for expansion of the Government-owned Nigerian Paper Mills. The loan, which was well-received, was the first one arranged and lead managed by the bank for a non-Indian borrower. The bank has also contributed to the country's export indirectly by playing a lead role in financing of Indian joint ventures abroad. Loans totalling about US $25 million were arranged/syndicated for various types of projects including 5-star hotels in Sri Lanka, Singapore and Thailand. Foreign exchange business conducted by the bank's overseas offices increased from Rs 36,952 crores in 1980 to Rs 61,834 crores in 1981.

In 1981, 402 new branches were opened in India. Of these 85 per cent were opened in rural and semi-urban areas and 58 per cent were situated in comparatively underbanked States. At the end of 1981, the bank had 5,971 offices in India, of which 78 per cent were situated in rural and semi-urban areas. The bank has made further headway in branch expansion in 1982. The opening of its 6000th office at Gonda in Delhi contitutes a landmark in commercial banking.

The banks export credit during 1981 stood at Rs 437 crores. The bank has been placing special emphasis on assisting export units in the small-scale sector. About 12 per cent of the bank's SSI advances have been deployed to meet the credit requirements of such exporting units.

The bank continues to be the premier financier of India's import trade. Nearly four-fifths of the country's imports were financed by the bank, which included essential commodities like crude oil and petroleum products, edible oils and wheat and crucial commodities like fertilisers, steel and cement.

During 1981, the Merchant Banking Division managed a record number of 32 issues comprising 23 equity issues and 9 convertible/non-convertible debenture issues involving a total sum of Rs 143.8 crores.

The division for the first time played a major role in mobilising support of non-resident Indians and persons of Indian origin resident abroad, for some of the capital issues made during the year. The division completed three corporate counselling assignments during the year.

Drugs, Pharmaceuticals Production Up

Production of drugs and pharmaceuticals in the country increased at a faster rate during 1982-82 compared to the previous year, despite various difficulties faced by the industry, according to the Annual Report of the Department of Chemicals and Fertilisers. The production of bulk drugs increased from Rs 240 crores to Rs 275 crores and of formulations Rs 1200 crores to Rs 1300 crores. The report said that self-sufficiency had been achieved in three essential drugs, — Sulphamethoxazole, Trimethoprim and Metronidazole and also in Vitamin B_2.

When the final figures for 1981-82 are taken, it was expected that increase would be registered in the production of antibiotics like Streptomycin, Ampicillin, Tetracycline and Erythromycin, Sulpha drugs like Sulphacetamide, Sulphamethoxazole and Sulphaphenzole and in the production of vitamins. Production of drugs like Insulin, Chloroquin, Analgin, Aspirin also was expected to be higher. However, the report said, a decline in production of some drugs was anticipated. This was partly because of higher production of newer drugs pushing down demand for conventional drugs and partly because of labour trouble in a major producing factory.

According to the report, following Industrial Policy statement of July 1980, Government decided that installed capacity as on September 4, 1980 in excess of the licensed capacity will be recognised in the drugs and pharmaceuticals industry, subject to certain conditions in keeping with the drug policy. During the year 1981, 52 letters of intent were granted, 30 of them to Indian companies. Out of the 28 industrial licenses granted, 17 were given to Indian companies. Close monitoring had been done on the implementation of the industri licenses and action take to revoke unimplemente licenses. During 1981-8 concessional customs dut of 25 per cent was extende to nine more drug intermediat required for production essential drugs.

According to the annua report, during the year 198 82, the prices of drugs an pharmaceuticals were mo steady compared to the price of other commodities. Govern ment approved in Augus 1980 the procedure for ac justment of prices of bul drugs and formulations. Fo lowing that, out of about 20 indigenously produced bul drugs, prices of 164 ha been revised. Prices of abou 100 formulations also ha been revised.

Non-Resident Indians Investments

The Reserve Bank India has further liberalis the facilities available non-residents of India origin for investme in Indian companies. No resident Indians can inve in shares through stock e changes in India without ar limit on the quantum ar value of investment, eith by fresh remittance fro

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abroad or out of their non-resident accounts. Repatriation of capital invested and income earned thereby will not, however, be allowed.

Non-resident Indians can make portfolio investments in shares in India with full benefits of repatriation of capital invested and income earned on them on certain specified conditions which include a ceilling of rupees one lakh worth of shares in any one company.

Investments can also be made by non-resident Indians in the issue of new or existing company in India (other than a FERA company) up to 40 per cent of total new capital with full benefits of repatriation of capital invested and income accruing thereon.

The Reserve Bank press note adds that all the facilities of direct and portfolio investment have been extended to overseas companies, partnership firms, societies and other corporate bodies which are owned to the extent of at least 60 per cent by non-resident Indians as well as overseas trusts in which at least 60 per cent of the beneficial interest is irrevocably held by such persons".

Indo-Saudi Economic Cooperation

India and Saudi Arabia have agreed to forge greater economic cooperation and redouble their efforts to reduce tension in the region.

These were the direct outcome of the 100-minute long fruitful talks the Prime Minister, Mrs Indira Gandhi, had with the first Deputy Prime Minister, Crown Prince Fahd.

During the discussions held in a most cordial atmosphere, both leaders, aided by their senior Ministers and high ranking officials, reviewed bilateral and international situations. Crown Prince Fahd, Defence Minister Prince Sultan and the Second Prime Minister, Prince Abdullah, have accepted Mrs Gandhi's invitation to visit India at the earliest opportunity.

The Prime Minister has welcomed a suggestion from the crown prince to have more Indo-Saudi joint ventures in the fields of construction and manufacture.

She told Crown Prince Fahd that the matter would be followed up with earnestness. At present, Indian companies were executing projects worth 50 million Saudi riyals (about Rs 1.40 crore) in joint venture and the prince said there was tremendous scope for improving it.

Sugar Output

According to the Indian Sugar Mills Association, the sugar production during the second fortnight of March, 1982 (i.e., 16.3.82 to 31.3.82) was about 737,000 tonnes as against 387,000 tonnes during the same fortnight last year. The total production in the month of March, 1982 the sixth month of the season 1981-82 was about 1,410,000 tonnes as against 868,000 tonnes during the same month last season. This brings the total output during the first six months of the season 1981-82 to 5,995,000 tonnes as against 4,555,000 tonnes during the corresponding period last year.

The off-take of sugar from factories during the second fortnight of March was about 217,000 tonnes for internal consumption and 54,000 tonnes for exports as against 217,000 tonnes for internal consumption and 5,000 tonnes for export during the same fortnight last season. The despatches during the month of March, 1982 was 439,000 tonnes for internal consumption 59,000 tonnes for exports as against 397,000 tonnes for internal consumption and 17,000 tonnes for exports during the same month last season. The total off-take in the first six months in 1981-82 was 2,357,000 tonnes for internal consumption and 198,000 tonnes for exports as against 2,197,000 tonnes for internal consumption and 53,000 tonnes for exports during the corresponding period last season. The total closing stock of sugar with the factories as on March 31, 1982 was about 42,26,00 tonnes as against 29,02,000 on the same date last year.

Growth of Tourism

The public sector India Tourism Development Corporation of the Ministry of Tourism & Civil Aviation has decided to go in for an appropriate mix of commercial and promotional projects. This has been announced in the annual report of the Ministry of Tourim & Civil Aviation for 1981-82.

In pursuance of this policy, ITDC has planned tourism schemes in the North-Eastern and Jammu & Kashmir States and UP hill and other backward areas. The report says that the time has now come to consciously adopt a policy of deliberately undertaking promotional and developmental projects so as to sub-serve the socio-economic objectives.

As part of the reorientation in policy and planning strategy, the corporation is now laying equal emphasis on development of domestic tourism and actively associating the State Governments in taking up tourism projects in the various States. ITDC has, during the year, formulated a scheme for setting up joint ventures in collaboration with the State Governments. This scheme would ensure closer coordination with the States, wider dispersal of benefits of tourism for ensuring region-wise development of tourist spots and dissemination of ITDC expertise.

As per the report, ITDC has adopted a 3-pronged marketing strategy to significantly increase its profitability and also accelerate the growth of development of tourism in the country. To create demand in the tourist-generating markets, ITDC has launched its own travel agency. It is now appointing selling agents at selected tourist centres overseas to promote ITDC properties and facilitiate intensive utilisation of network of ITDC services. ITDC also plans to extend on franchise basis the Ashok Reservation Service to independent hotels of repute.

Central Bank Branch in Udyog Bhavan

The 2080th branch of Central Bank of India was inaugurated in the premises of Udyog Bhavan, New Delhi recently. The Union Minister of Industry, Steel & Mines Mr N.D. Tiwari, was the chief guest at the function. The Minister stressed that banks should help to implement the economic policies of the Prime Minister, particularly the 20-point programme and should give liberal loans to farmers and the low-income groups so that they can grow faster.

Mr B.V. Sonalker, Chairman and Managing Director of Central Bank of India, while welcoming the Minister, disclosed that after State Bank of India, Central Bank had the maximum number of branches and had grown to be one of the leading banks after nationalisation.

Modern Bakeries Diversifies

Modern Bakeries (India Ltd, has purchased the con centrate making plant of Coca Cola Export Corporation a Faridabad. It has also bee able to export soya-meal valu ed at Rs 40 lakh during 198 82 from its Ujjain oil comple

Recently it took over t management of the Fru Juice Bottling Plant at La rence Road from the depar ment of food, governme of India. Modern Bakeries h plans for the production ready-to-serve bottled fr juices and drinks of differe vaieties like mango, oran guava, apple etc.

The bottled fruit juices a drinks are nutritious. Unl carbonated beverages wh have a seasonal market, fr juices and drinks can be ta round the year.

According to provisi report, the year 1981-82 been a successful year

Modern Bakeries. The company's capacity utilisation of bread plants has gone up to 71.5 per cent, an increase of 4 per cent over the previous year. The total sales of bread are up by 77 lakh of standard loaves, taking the total to 17.9 crore.

The turn-over of the company has gone up by Rs 5 crore to around Rs 26 crore over the last year. The company has achieved an all-time high record of profit of Rs 1.7 crore during 1981-82.

Wardha District Development Plan

The framework of Wardha district development plan on Gandhian lines, finalised here recently by a high-level committee of the Planning Commission, envisages "Work for All" to enable 80,000 families to earn additional income and a supporting programme of "Health for All" to ensure safe drinking water supply, immunisation against diseases, spread of health education, and good implementation of nutrition programme for children.

Mr S.B. Chavan, Minister of Planning and Chairman of the committee presided. Among others present were Mr Vasant P. Sathe, Union Minister of Information & Broadcasting, Mr B.A. Bhosale, Chief Minister and Dr V. Subramaniam, Minister for Planning and Finance of Maharashtra, Members of the Planning Commission, Dr M.S. Swaminathan and Mr Mohd. Fazal, Member of Parliament and State legislators from Wardha, and Mrs Nirmala Deshpande of Paunar Ashram.

Improvement in Postal Facilities

For improving postal facilities in tribal areas of the country, the Posts and Telegraphs Department is adopting relaxed norms in the matter of opening new post offices, both in respect of minimum population requirements of the village in which post office is to be opened and the expected income of the post office. As per these relaxations, whereas post offices in non-gram panchayat villages in normal rural areas can be opened if the minimum opo population of the village is 2,000 or more, the same can be opened in non-gram panchayat villages in tribal areas if the village (or a cluster of villages within a radius of 1.5 kms) has a population of 1,000 only.

Again, in the matter of income, whereas a Post Office in normal rural areas is exuected to yield minimum income of 25 per cent of its cost, the same can be opened in tribal areas with minimum income expectation of 10 per cent only. Besides, the department has also chalked out a sub-plan for special implementation in tribal areas of the country during the Sixth Five Year Plan. Under this Tribal Sub-Plan, it is peroposed to open 1220 post offices, appoint 1952 extra departmental delivery agents, instal 1,000 letter boxes and provide mobile counter facilities in 1,500 villages in the tribal areas of the country during the Sixth Five Year Plan.

Manufacture of Boilers

ISGEC John Thompson (IJT), the boiler division of Saraswati Industrial Syndicate Ltd, is a major force in the designing, engineering and commissioning of boilers and accessories. Since the Sixties IJT has been at the forefront of several boiler technologies and has over 250 watertube boilers to its credit. IJT boilers are manufactured to rigoroius international quality control parameters at the boiler works of its sister division ISGEC at Yamunanagar. The company is equipped with a talented team of engineers and technicians, which has proved its mettle in dozens of turnkey projects and industrial boilers manufactured indigenously and commissioned in India and abroad. IJT boilers are in operation at oil refineries, petrochemical industries, fertilizer plants, sugar mills, textile mills and tyre plants.

In view of the worldwide fuel crisis and the growing dependence on low grade industrial coal, the improvement of combustion efficiency is receiving increasing international attention. Considering the even poorer qualities of coal available in our country, the situation is in general detrimental to the management of our economy and specifically alarming to numeerous process industries using boilers.

Investment Scheme For Indians Abroad

A special scheme has been introduced for non-resident Indians returning home for setting up electronics industry or investing in an electronics industry in India.

Under the new scheme the investor will be permitted to import the entire machinery for this purpose under OGL, without the need for indigenous clearance, provided his share of equity is not less than 20 per cent and the machinery has been purchased out of his foreign exchange earnings.

This scheme will be available for setting up industries to manufacture electronic components (other than LSI, VLSI) instruments, tape recorders, two-in-ones, Hifi equipment, electronic teaching devices, industrial processing control systems, electronic medical equipment and major sub-systems of radars, navigational aids and communication equipment. In the case of units manufacturing radars and navigational equipment, prior approval of the Department of Electronics will be required.

Besides, other facilities like import of banned items of capital goods will also be allowed, where they have been used by the applicant for more than one year abroad or the oif value of such machinery to be imported is not more than 10 per cent of the total value of the machinery being imported. Import of generating sets of above 500 KVA rating will also be allowed.

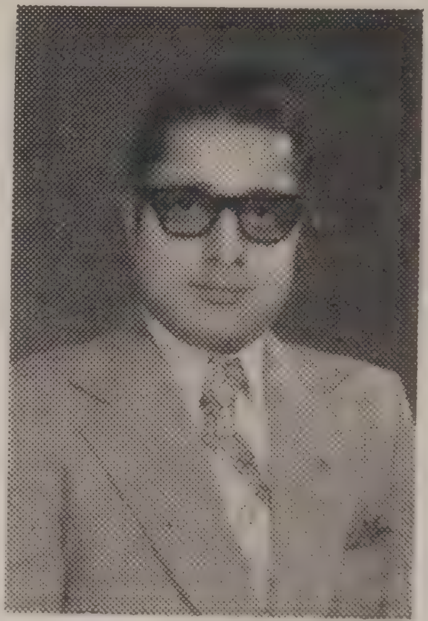
However, the import of texturising machines, warp-knitting machines and second-hand paper mill machinery will not be allowed under the scheme.

The scheme also provides for import of professional equipment used by the applicant for at least one year. In case the period is less, the value of import has been pegged at Rs 1 lakh.

Names in the News

At the annual regional meeting of the Northern region of Association of Indian Engineering Industry held recently, **Mr Dhruv M. Sawhney**, President, Triveni Group, has been elected Deputy Chairman for the year 1982-83. Mr Sawhney is also Chairman of West UP Sugar Mills Association and is associated with a number of other bodies such as the Punjab, Haryana & Delhi Chamber of Commerce & Industry, American Management Association (USA), Institute of Chartered Engineers (UK) All India Management Association, Indo-American Chamber of Commerce etc.

Mr C.K. Sah, Managing Director of Messrs UP National Manufacturers (P) Ltd, Varanasi, manufacturers of famous TULLU Products including TULLU Solar Pump, has been elected to the Executive Committees of All India Pump Manufacturers Association, Bombay, Federation of Associations of Small Industries of India (FASII), New Delhi and Association of Indian Engineering Industries, New Delhi, for the year 1982-83.



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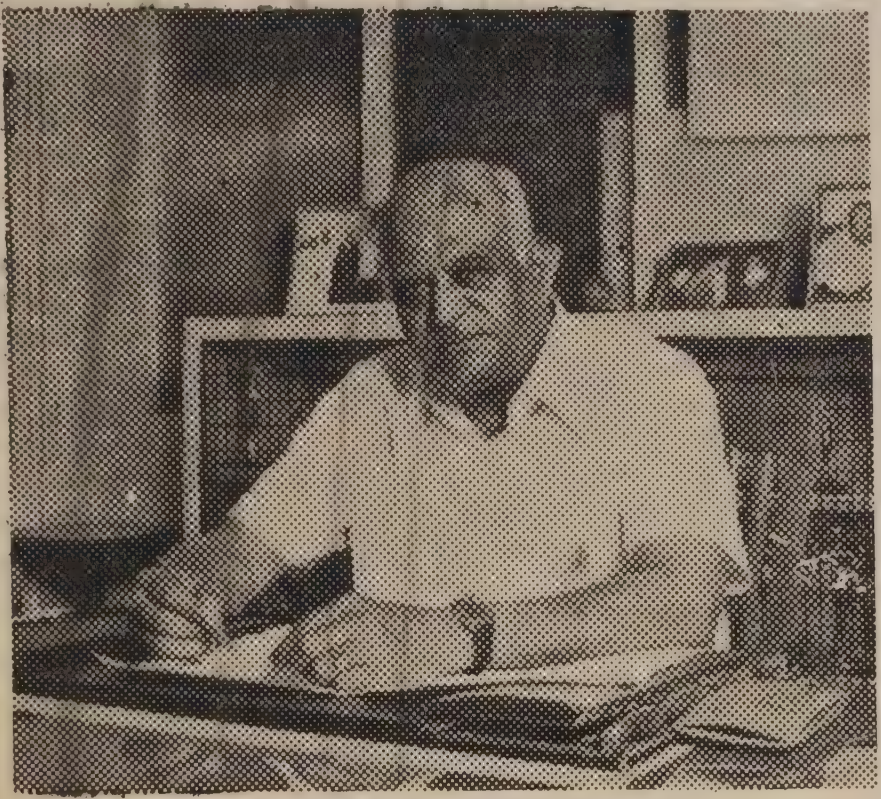
SPEECH DELIVERED BY CAVALIER G.K.DEVARAJULU, CHAIRMAN AT THE 19TH ANNUAL GENERAL MEETING OF THE COMPANY ON FRIDAY THE 23RD APRIL, 1982.



Cavalier G.K. Devarajulu, Chairman

Ladies and Gentlemen,

I heartily welcome you all to this 19th Annual General Meeting of your Company.

From the Directors' Report, already circulated, you would have observed that 1981 was a happy year for us in terms of sales turnover and profit. You would have also observed that, during the year, we have continued with vigour our programme of modernisation, and the setting up LMW Unit-II.

At this customer end, the downward trend in the textile industry is causing us serious concern. Besides marginal recession in the engineering industry as a whole, and the stringent monetary measures taken by the Government, the textile industry is facing serious difficulties owing to high input costs, deficient infrastructural support and falling demand. In the long run, this is bound to have repercussions on the prospects of textile machinery industry. More about that later.

Performance and Prospects:

At Rs.46.26 crores, the sales turnover in 1981 has increased by nearly 30% over the previous year. Correspondingly, the net profit has also increased from Rs.303 lakhs to Rs.394 lakhs. Your Directors are pleased to recommend a dividend of 16% on the enlarged capital inclusive of the bonus shares issued in 1981. This is equivalent to a return of 25.6% on your investment.

Inspite of the recession and financial difficulties faced by our customers, the entire production of 1981 was sold. This is the result of the sound and progressive policy pursued by your Board of Directors, namely, continued up-dating of manufacturing facilities, excellency in product quality, provision of good after-sales service and product pricing based on reasonable returns. The success of this policy continues to be reflected in the Company's performance in 1982. During January-March 1982, our production increased to Rs.964 lakhs (1981 - Rs.812 lakhs; 1980 - Rs.563 lakhs) and what is more, we sold off almost all the machines produced.

Notwithstanding the recessionary trend developing elsewhere, I am reasonably optimistic about maintaining the growth rate and profitability of your Company during 1982. Moreover, thanks to the well coordinated efforts between Works and the Sales, we do not anticipate accumulation of finished goods inventory in 1982.

State of the Textile Industry:

The continuing deterioration in the health of the textile industry should be a matter of serious concern to the textile industrialists, the Government and the general public. Appeals and warnings by organisations like Indian Cotton Mills Federation appear to have fallen on deaf ears, all round. Cotton and man-made fibres which absorb a large chunk, i.e., nearly 70% of the operating capital of this industry are subject to heavy taxation and wide fluctuation in prices. In case of cotton, the price is often governed more, by political rather than economic considerations. Infrastructural support as with power, coal and oil is poor or irregular and credit facilities do not match the real needs of this neglected industry. Unlike many other sectors of the economy, the textile industry in India has matured to a state where its prospects are governed by market forces rather than governmental protection or the economics of supply shortage. The end product is subject to competitive stresses determined by quality, price and sophistication. Torn between the two divergent factors, namely a highly competitive market resulting in diminishing margins on the one hand, and exhorbitant, unregulated cost of inputs on the other, the textile manufacturers are unable to formulate a long-term strategy for modernisation or generate the requisite capital for that purpose. To facilitate rapid modernisation, the Government in the recent past proposed to permit import of even second-hand textile machinery. However, owing to the wild fluctuations in financial conditions, the textile industry could neither utilise this facility fully nor is it able to lift the modern machines produced in India in collaboration with some of the leading European manufacturers. The situation is very difficult, but does not warrant despair.

Modernisation Reserves:

A long-term scheme of resources planning is necessary to meet the modernisation needs of the textile mill industry, which would insulate the machinery purchase programmes of mills from the cyclical changes in their fortunes. It is necessary to evolve a scheme whereby mills are enabled to conserve resources and utilise the same progressively in line with the expansion in the production of textile machinery. Such a scheme would help the machinery manufacturers to have a sustained demand for their products even in times of adverse working of textile mills.

To tackle this problem on a permanent basis, The Indian Cotton Mills Federation recommends that mills should be allowed to set up modernisation reserves out of internally generated resources on the following lines:

1) Mills should be permitted to appropriate and set apart 30% of the pre-tax profits before depreciation, subject to the condition that this reserve so earmarked will be utilised only for modernisation.
2) The amount so earmarked be frozen in a separate bank account and withdrawals be permitted only for acquisition of new machinery
3) The amount so funded be considered eligible for tax rebate in the year of appropriation
4) The mill company will also qualify for investment allowance under Section 32A of the Income-Tax Act.

In my view, to ensure a long-term growth and a bright future for the textile industry, there should be need for introspection by the textile industry and a need for generous relief in taxation and interest by the Government to revive this vital industry. After all, in terms of human priorities, it is next only to food.

Modernisation and MRTP Clearance:

I wish to mention here that the Government, while clearing matters relating to modernisation, have been taking the view that even expenditure incurred on modernisation would attract the provisions of the MRTP Act, 1969. It had led to avoidable delays and held up the modernisation of plants which was not desirable from the National point of view. Modernisation might also result in marginal increase in production due to improved techniques. In any case, modernisation did not result in substantial expansion so as to justify the necessity of MRTP clearances.

For the same reason, import licences for replacement and modernisation of machinery should not be required to be referred to the Department of Company Affairs.

Acknowledgements:

While concluding I would like to offer my sincere thanks to the Central and State Governments and the Industrial Credit and Investment Corporation of India Limited, Bank of Baroda, Indian Bank and Indian Overseas Bank for their encouragement and support to your Company.

I am also grateful to my colleagues on the Board for the co-operation extended to me by them.

I am also happy to record the cooperation extended to your Company by your collaborators M/s.Rieter Machine Works Limited and M/s.Schweiter Engineering Works Limited, Switzerland, and also to the selling agents M/s.Voltas Limited, M/s.Super Sales Agencies Limited and other agencies in helping the Company to achieve these results.

In conclusion, I wish to express my thanks to the employees of the Company for their sincere efforts and the sense of involvement shown by them to achieve the results of 1981 and the customers for their valuable support.

Thank you all for having graced the occasion

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting of the Company referred to

FDS LMW 3669

COMPANY AFFAIRS

Higher Dividend by Kesoram Industries

Mr S. K. Parik, President (Accounts and Taxation) and Secretary, Kesoram Industries & Cotton Mills Ltd, pointed out recently that the company with six sections situated at different places and engaged in diverse manufacturing activities with big establishments, was able to complete finalisation of accounts within the record period of 15 days and got approved the profit and loss account for the year ended March 31, 1982 and the balance sheet as on that date by the board. This was a rare event in the corporate sector, more particularly for bodies corporate of this company's size and position. The company is holding its annual general meeting on May 31, 1982 and will handover dividend warrants at the meeting itself which may be approved by shareholders.

The directors have recommended an 18 per cent equity dividend for the year ended March 31, 1982 (14 per cent in the previous year). The turnover for the year has been Rs 112.2 crore (Rs 96.1 crore). The gross profit has been Rs 18.3 crore (Rs 13.8 crore). Depreciation and taxation account for Rs 2.9 crore (Rs 3.7 crore) and Rs 8.7 crore (Rs 5.5 crore). The net profit is Rs 7.1 crore (Rs 5.6 crore). While investment allowance reserve, debentures redemption reserve and capital reserve-development have been allotted Rs 60 lakh (Rs 54 lakh), Rs 25 lakh (Rs 25 lakh) and Rs 17.9 lakh (Rs 64.4 lakh) respectively, the proposed dividend on ordinary and preference shares will account for Rs 1.3 crore (Rs 1.07 crore).

These results have been achieved for the first time in the company's history and as such, it deserved appreciation from all concerned. The management is, however, endeavouring for better results and efficiency in the company's working and for further extension of its activities in the national interest and industry as a whole.

Mr M.L. Bagrodia, President (finance and administration), has said that the company is at present engaged in taking in hand a new cement project with an annual capacity of 4.5 lakh tonnes in Karnataka, to be financed by internal funds and bank borrowings.

Mr S.K. Birla, President (textile section) has said that the lock-out in the textile section of the company is expected to be lifted soon as negotations through the West Bengal Government are on.

Shriram Fibres to Expand Capacity

Expansion programme as well as diversification plans of Shriram Fibres were announced at a press conference by the Managing Director Arun Bharat Ram at Madras recently. He said Shriram Fibres capacity would be expanded to five thousand tonnes of nylon tyre cord from the existing three thousand tonnes. While he expected there would be no serious marketing difficulties for Shriram Fibres on account of their acknowledgedly well established position with tyre manufacturers in South India and elsewhere, he wondered how the four-fold expansion of nylon cord production in the country now sanctioned by the Government of India would help this difficult industry.

Pointing out that the Government policy for this industry almost amounted to delicensing, he cautioned against optimism about rapid growth in consumption to readily absorb so much of increased production. Giving figures he said current production in the country was 13,490 tonnes where as it would rise to 50,200 when sanctioned expansion of existing units and the newly licensed units are built. Apart from expressing his concern over Mr Arun Bharat Ram did not plead for any rethinking or review of Government decision inthis matter.

Bright Future

Mr Arun Bharat Ram indicated that Shriram Fibres had been doing extremely well during the first nine months of the current year and that they expected excellent results for the year ending june 30, 1982.

As for diversification Mr Arun Bharat Ram said that in addition to producing nylone tyre cord they had diversified into manufacture of high tenacity nylon fishnet twines and other industrial yarns. They had also been producing various grades of nylon moulding powder as an engineering plastic whose entire domestic requirement was met through imports. They were also seriously considering the purchase of a medium sized ship to start with for entering the shippying line. Negotiations were already on for the establishment of a sponge iron plant in Madhya Pradesh at a place near the coal and iron ore mines.

Garware Plastics Pays 12%

The Directors of Garwar Plastics and Polyester Lt which raised Rs 4.54 cror through a public issue i August 1981, have propose a dividend of 12 per cen for 1981. A pro rata dividen of 30 paise per share of per cent is payable on th new shares.

The company has fare exceedingly well for the year Sales have been higher a Rs 26.04 crore against R 25.19 crore for the preceding accounting period of 1 months. As compared with sales in the comparable period of the preceding 1 months at Rs 20.16 crore, the 1981 sales represent an increase of 29 per cent.

The gross profit has risen to Rs 2.63 crore from Rs 1.84 crore in the preceding 15 months. For the comparable period of the preceding 12 months the gross profit is placed at Rs 1.48 crore. After providing Rs 90 lakh for depreciation (Rs 87 lakh) and Rs 25 lakh for investment allowance reserve (Rs 19 lakh), the surplus comes to Rs 1.43 crore against Rs 78 lakh. The proposed dividend will absorb Rs 38.37 lakh and a sum of Rs 109.50 lakh has been transferred to general reserve.

Widia (India) Achieves Record Growth

Widia (India) achieved a record growth of 38.5 per cent for the year 1981 over the year 1980. The gross turnover registered an increase from Rs 166.46 million in 1980 to Rs 230.54 million for the year 1981. The profit before depreciation and taxation amounted to Rs 31.39 million (Rs. 23.13 million in 1980). After providing for depreciation of Rs 5.99 million (Rs. 5.06 million in 1980) and taxation of Rs 12.00 million (Rs. 8.70 million in 1980) the net profit amounted to Rs 13.40 million) Rs 9.37 million in 1980).

Investment allowance reserve

the year 1981 amounted ℓs. 2.71 million (Rs 2.02 ion in 1980).

ne Directors have recomded a dividend of 16 per as in the last year, subto deduction of tax. After ropriating Rs 2.20 million 2.20 million in 1980) tods proposed dividend, an unt of Rs 8.49 million 5.15 million in 1980) ld be transfered to genereserves.

ne export performance of company during the year registered an increase of per cent over the previous , in spite of stiff competi- in highly competitive kets of advanced couns like Japan, Europe and th-East Asia.

he company received an ustrial licence for manuure of mining tools in dak district (Andhra Prah) during the year under w.

ro Alloys

he Directors of Ferro oys Corporation propose maintain the dividend at per cent for 1981. The ss profit is slightly lower Rs. 6.39 crores against 6.61 crores in 1980. The surplus is placed higher Rs 1.90 crore against 1.57 crore.

t is explained that the op in the profit is due mainly the steep hike in power iff, mounting interest burn, increase in the prices of materials and lower mar- value for exports. The nover has gone up from . 35.78 crore to Rs 51.21 ores.

For the first quarter of 32 the turnover is higher Rs 15.22 crores against 13.35 crores. The company s invested Rs 5.09 crores fixed assetss in 1981.

The company is installing a w plant in Orissa for the nufacture of charge chrome. cor, along with Rajasthan ate Industrial Development d Investment Corporation, a co-promoter of Saraf nthetics (Rajasthan) Ltd, hich is setting up a unit at Alwar to manufacture manmade fibre yarn.

Hoechst Dyes

Mr Yogindra N. Mafatlal, Chairman, Hoechst Dyes and Chemicals Ltd told the annual general meeting that the turnover of the company was likely to be better during the current year, although the sales of 3 months of the current year were of the same order as that of the corresponding period last year.

The company proposed to diversify its activity by entering into "some manufacturing lines." The letter of intent received by the company has still not been given up. "But we are as yet not sure which manufacturing activity we might select." The company had enough land at Ankleshwar.

Mr Mafatlal said that during 1981, the company's turnover had gone up by about 35 per cent from the previous year's Rs 64.51 crores to Rs 86.85 crores, in spite of esclation in cost all-round. The profit before depreciation, taxation and investment allowance reserve had gone up to Rs 2.88 crore against Rs 2.61 crore of the previous year. Despite this substantial increase, the dividend has gone up only by one per cent to 17 per cent during 1981. The company could have given higher dividend, but the management decided to be conservative because the company had its own projects to finance.

Siddharth International to Enter Capital Market

Siddarth Inter-Continental (India) Ltd is entering the capital market on May 3 with a public issue of 18 lakhs equity shares of Rs 10 each. The funds are being raised to finance a hotel project in the capital which is scheduled to be commissioned before the Asiad '82.

The civil structure of hotel building is almost complete, according to Mr Jai Prakash Gaur, Director of the company. Installation of plant and machinery is under way. Interior designs have been finalised for which the work is going on at the same time.

The project cost is placed at Rs 990 lakh. Indian Overseas Bank had sanctioned a Euro-dollar loan of Rs 305 lakh. Financial institutions and banks will provide term loans totalling Rs 305 lakh. The balance of Rs 380 lakh is the equity capital of which Rs 200 lakh has been arranged by the promoters. For the remaining Rs 180 lakh, equity shares are being offered to the public.

The hotel will have 156 double rooms including suites, apart from swimming pool and other facilities.

Mr Gaur said that the company is developing its own marketing nucleus to achieve maximum occupany.

General Industrial Society

General Industrial Society Ltd. (GIS) is setting up a spinning unit of 15,480 spindles in Punjab. The demand for yarn is expected to go up substantially during the Sixth Plan period and the company hopes to cater for the rising yarn demand in the upcountry centres from the production in the Punjab unit.

The company has at present three manufacturing units and is currently manufacturing varieties of jute goods, jute carpet backing cloth, jute twine and yarn, cotton yarn and various types of manmade fibres.

The company has registered a steady growth in the last several years. Its annual turnover multiplied three times in the last decade from Rs 13.50 crore in 1971 to Rs 40.60 crore in 1980. The gross profit of the company increased correspondingly from Rs 84.20 lakh in 1971 to Rs 274.20 lakh in 1980.

The company is entering the capital market with an offer of 400,000 secured convertible debentures of Rs 100 each for cash at par aggregating to Rs 400 lakh. The proceeds of the issue will be used partly to finance the unit's new project in Punjab, which involves an investment of Rs 818 lakh.

New India Industries

New India Industries has earned a higher gross profit of Rs 1.87 crore for 1981 against Rs 1.75 crore for 1980. Its turnover has increased to Rs 20.04 crore from Rs 19.18 crore. The Directors have proposed to maintain the equity dividend at six per cent for the year.

The company's net profit amounts to Rs 38.43 lakh against Rs 42.64 lakh after providing Rs 66.86 lakh (Rs 48.20 lakh) for depreciation, Rs 59.70 lakh (Rs 80 lakh) for taxation and Rs 22.30 lakh lakh (Rs 4.08 lakh) for investment allowance reserve. The proposed dividend will claim Rs 26.27 lakh (same).

The company has been granted a licence for expansion of its spinningcapacity from 20,520 to 25,000 spindles. The company has produced highly advanced multilens for cent per cent exports.

Hindustan Gas

The Hindustan Gas and Industries Ltd has reported impressive working results for the year ended March 31, 1982. The gross profit of the company has touched an all-time high record Rs 191.05 lakh, registering an increase of 25 per cent over the previous years' Rs 153.42 lakh. The turnover of the company has increased by 14 per cent to Rs 940.38 lakh over the previous year's turnover of Rs 822.06 lakh.

The Directors have recommended a dividend of Rs 1.25 per equity shares thereby increasing the effective dividend by 25 per cent over the last year. After providing for Rs 111.51 lakh for depreciation, Rs 24 lakh for taxation, Rs 18.30 lakh for investment allowance reserve and Rs 46.90 lakh for other expenses. the profit available for appropriation was Rs 83.14 lakh.

During the year, the company completed the first phase of its industrial gas project at Murbad industrial area of Maharashtra and has now taken up the second phase. With expansion and diversification programmes under way, the company hopes to grow significantly and show improved results.

Padumjee Pulp

Pudumjee Pulp and Paper Mills is poised for a substantial growth in the production and sales during the current year in the wake of the completion of the expansion plans undertaken during 1981, according to Mr M.P. Jatia, Executive Director.

The turnover in 1981 is placed at slightly over Rs 12 crore which in the previous year stood at Rs 13.29 crore. The company undertook a substantial expansion of its paper capacity which now stands doubled at 15,000 tonnes.

The expansion programme was achieved in a record time, claims Mr K.D. Pudumjee, Director and Chief Executive (works). According to him, the company will specialise in the manufacture of a number of varieties, including the bible paper. The idea is to produce thin grammage paper which enjoys good market right now. Mr Pudumjee says that the company will produce carbon base paper, fire work fuse tissue, acid tissue, copying tissue and news airmail tissue.

Orissa Industries

Orissa Industries Limited will be the first company to introduce tar bonded bricks which will increase production of LD converters in steel plants by nearly 50 per cent. It also has plans to manufacture tar impregnated, zirconia and other sophisticated refractories.

The company hopes to complete the expansion of its principal unit at Lathikata. Sundargarh district, in about a year's time. Meanwhile, it has renewed the technical collaboration agreement with Harbison Walker, USA, recognised as the world's largest refractory maker, for another five years.

The Directors of Orissa Industries have recommended a higher dividend of 12 per cent for the year ended October 1981, against 10 per cent, in the previous year. Turnover increased by more than 45 per cent to Rs 1,594 lakh from Rs 1,076 lakh. Gross profit was up from Rs 55.30 lakh to Rs 79.93 lakh. After providing Rs 19.18 lakh (Rs 19.44 lakh) for depreciation and Rs 9.71 lakh (Rs 17.45 lakh) for investment allowance reserve, the surplus is Rs 51.04 lakh (Rs 18.41 lakh). The proposed dividend will absorb Rs 13.11 lakh (Rs 10.93 lakh). The company's reserve and surplus stand at Rs 142.91 lakh (Rs 89.11 lakh).

Denis Chem. Ltd.

Denis Chem. Lab Ltd, proposes to enter the capital market in June next with a public issue of 2.10 lakh equity shares of Rs 10 each at par for raising a part of the finance for its pharmaceutical project for the manufacture of 3 million bottles of various intravenous transfusion solutions at Chhatral in Mehsana district of Gujarat.

The project cost is estimated at Rs 97.5 lakh, of which Rs 35 lakh will be financed through share capital, Rs 52 lakh by way of term loan and Rs 10.50 lakh by way of each subsidy. The company has been promoted by Mr Dinesh B. Patel, Managing Director of Bharat Vijay Mills, Kalol, and Mr Laxmikant Bhagubhai, Chairman and Managing Director of Cellulose Products of India Ltd.

Cellulose Products

Cellulose Products is setting up a Rs 2.50-crore project at Ankleshwar for the manufacture of industrial alcohol. The project will have a capacity to manufacture 10 million tonnes of alcohol per annum.

To meet a part of the finance, the company is issuing convertihle debentures of Rs 1.50 crore. The debenture issue will be partly on rights basis and partly offered to the public.

Each debenture will be of the face value of Rs 200, out of which the convertible portion will be Rs 100. This portion will be converted into the company's equity share of Rs 100 at par on April 1, 1983. The debentures will cary an interest of 13.5 per cent.

Additionally, the company proposes to issue non-convertible debentures of one crore rupees to augment its working capital requirements.

Central India Mills

While the sales of Central India Spg. Wvg. and Mfg. Co. Ltd, have risen from Rs 25.40 crore to Rs 28.58 crore in 1981, the operating profit has declined from Rs 3.18 crore to Rs 2.78 crore. The Directors propose to skip the equity dividend for the year against 10 per cent paid for previous year.

After providing Rs 2.19 crore for interest)Rs 1.50 crore) and Rs 56.28 lakh for depreciation (Rs 39.55 lakh), the profit is placed at Rs 2.65 lakh against as much as Rs 1.28 crore in 1980. After making adjustment, the surplus for 1981 is placed at Rs 19.81 lakh.

The setback in the working results is attributed to higher cost of cotton, increase in cost of other inputs and higher interest rates effective from January 1981.

MICO Introduces New Technology

For the first time in India, MICO has introduced the thermal deburring method (TEM) in the manufacture of high-precision components of fuel iniection equipment. The TEM installation, manufactured by Robert Bosch GmbH, the world's only producer of such equipment, has just been installed in the MICO factory at Nasik. Tl mal deburring is based on principle that thin proecti of metal can be removed tantaneously in a proc which concentrates high th mal energy at particular sp TEM virtually amounts just burning away unwan material.

The concentrated ther energy is produced confining a mixture hydrogen and oxygen ga under high pressure of to 50 bars in a closed cha ber, and igniting it with spark plug. The temperat reaches 3,500°C for a milliseconds, oxidising ma rial in the unwanted sha edges. Even burrs and lo chips in inaccessible pla in the machined compone are cleared away. The co ponent itself gains little he as the procsss is instantaneo and the effect is felt only the thin edges.

Universal Tyres

The company has repo ted a profit before deprec tion of Rs 8.66 lakh for 19 After making adjustments debit balanced of Rs 1.49 cro is carried forward.

BALCO's Record Output

The state-owned Bhar Aluminium Company (BA CO) at Korba produced record 36,000 tonnes of alun nium during the year 1981-8 despite power constrai during the whole year. T Chairman and Managing Dire tor BALCO, Mr I. Aga to pressmen recently that the pr duction was 20 per cent mo than that during the previo year and surpassed the previo best figure of 33,751 tonn during 1978-79. BALCO h set itself a production targ of 50,000 tonnes for 1982-8 on the basis of assurances augmented power supp given by the Madhya Prade Government.

Current Statistics

RECORDS AND STATISTICS

Wholesale Price Movements

jor Group/Group	Weight in relation to 'All Commodities'	Index Number of Wholesale Prices (Base : 1970-71=100) for the week ending: 10-4-82 Latest week (Provisional)	3-4-82 A week ago (Provisional)	13-3-82 4 weeks ago (Provisional)	13-2-82 8 weeks ago (Final)	11-4-81 A year ago (Final)	Percentage Variation over: A week	A month	Two months	A year
L COMMODITIES	**1000.00**	**275.7**	**275.8**	**275.2**	**277.4**	**275.7**	Negl.	0.2	(—)0.6	0.0
. **Primary Articles**	**416.67**	**257.1**	**257.5**	**261.2**	**264.7**	**251.3**	(—)0.2	(—)1.6	(—)2.9	2.3
(a) Food Articles	297.99	231.9	232.4	234.3	238.6	219.8	(—)0.2	(—)1.0	(—)2.8	5.5
(b) Non-food Articles	106.21	227.0	227.3	232.0	236.1	231.1	(—)0.1	(—)2.2	(—)3.9	(—)1.8
(c) Minerals	12.47	1,114.5	1,114.3	1,152.0	1,133.3	1,175.1	Negl.	(—)3.3	(—)1.7	(—)5.2
. **Fuel, Power, Light and Lubricants**	**84.59**	**437.7**	**437.7**	**437.7**	**437.7**	**400.5**	—	—	—	9.3
. **Manufactured Products**	**498.74**	**263.7**	**263.6**	**259.4**	**260.9**	**274.9**	Negl.	1.7	1.1	(—)4.1
(a) Food Products	133.22	243.6	245.2	248.2	256.2	335.8	(—)0.7	(—)1.9	(—)4.9	(—)27.5
(b) Beverages, Tobacco and Tobacco Products	27.08	216.6	216.6	216.6	216.6	217.3	—	—	—	(—)0.3
(c) Textiles	110.26	228.4	227.5	224.2	224.5	221.0	0.4	1.9	1.7	3.3
(d) Paper and Paper Products	8.51	308.6	290.3	289.7	290.2	270.2	4.9	5.1	5.0	12.7
(e) Leather and Leather Products	3.85	359.5	359.5	359.5	359.5	372.9	—	--	—	(—)3.6
(f) Rubber and Rubber Products	12.07	303.2	299.5	298.7	293.4	262.6	1.2	1.5	3.3	15.5
(g) Chemicals and Chemical Products	55.48	263.6	263.5	262.6	263.9	252.1	Negl.	0.4	(—)0.1	4.6
(h) Non-metallic Mineral Products	14.15	361.2	360.6	343.4	317.5	290.3	0.2	5.2	13.8	24.4
(i) Basic Metals, Alloys and Metal Products	59.74	348.3	348.3	320.8	320.4	302.9	—	8.6	8.7	15.0
(j) Machinery and Transport Equipment	67.18	269.6	269.6	267.0	267.2	257.7	—	1.0	0.9	4.6
(k) Miscellaneous Products	7.20	241.0	240.7	240.7	241.9	237.3	0.1	0.1	(—)0.4	1.6

Negl.=Less than ±0.05 per cent. **Source :** Office of the Economic Adviser, Ministry of Industry, Government of India.

Movements in Consumer Prices : 1976-1982

(Monthly Averages or Calendar Months) (Index Numbers with Base: 1960=1

Year/Month	For Industrial Workers					For Urban Non-manual Employees				
	All-India*	Bombay	Calcutta	Delhi	Madras	**All-India****	Bombay	Calcutta	Delhi—New Delhi	Madr
1976	**296**	294	290	328	283	**273**	251	247	272	29
1977	**321**	315	318	354	306	**292**	266	262	286	30
1978	**329**	323	326	365	316	**304**	280	275	298	31
1979	**350**	347	345	382	341	**321**	306	291	316	34
1980	**390**	390	375	416	377	**359**	339	322	343	37
1981	**441**	447	406	462	435	**403**	381	360	386	42
February, 1981	**418**	420	384	434	409	**382**	357	343	361	41
March, 1981	**420**	423	385	438	410	**385**	359	345	367	412
April, 1981	**427**	435	397	448	412	**391**	372	348	372	414
May, 1981	**433**	442	399	453	420	**396**	377	353	377	420
June, 1981	**439**	450	406	461	428	**401**	380	358	383	426
July, 1981	**447**	459	408	476	452	**411**	387	364	397	434
August, 1981	**454**	462	412	480	457	**417**	394	368	408	440
September, 1981	**456**	458	423	480	455	**418**	396	372	403	441
October, 1981	**460**	466	429	481	454	**420**	400	376	402	445
November, 1981	**462**	470	426	480	463	**421**	401	375	401	450
December, 1981	**460**	469	426	474	461	**420**	401	374	398	450
January, 1982	**459**	468	419	476	454	**421**	403	374	396	451
February, 1982	**458**	469	413	474	453	**420**	403	371	398	449

*Based on indices of 50 centres. **Based on indices of 45 centres.

Sources : Labour Bureau (Ministry of Labour), Government of India and CSO, Ministry of Planning, Government of India.

Index Numbers of Industrial Production: 1975-1981

(Monthly Averages or Calendar Months) (Base: 1970 = 100

Year/Month	Source Classification				Use-based Classification*						Input-based Classification*			Sectoral Indicators*	
	General Index (Crude)	Mining and Quarrying	Manufacturing	Electricity	Basic Industries	Capital Goods Industries	Intermediate Industries	Consumer Goods Industries			Agro-based Industries	Metal-based Industries	Chemical-based Industries	Transport Equipment & Allied Industries	Energy Output@
								Total	Durable Goods	Non-durable Goods					
Weight	100·00	9·69	81·08	9·23	32·28	15·25	20·95	31·52	3·41	28·11	33·68	21·93	12·86	10·79	18·51
1975	**119·2**	127·9	116·0	138·6	129·0	130·1	113·7	107·4	106·0	107·6	106·1	123·1	128·9	116·1	132·0
1976	**133·7**	136·8	130·3	160·3	147·5	143·8	122·2	118·4	120·0	118·2	112·2	135·4	151·0	132·6	146·6
1977	**138·3**	139·9	135·1	165·4	155·0	151·7	125·8	126·0	137·0	124·6	114·8	144·8	161·4	130·9	151·4
1978	**147·8**	142·2	144·4	183·6	162·4	156·8	135·8	138·3	147·9	137·1	124·5	154·3	177·8	132·0	163·1
1979	**149·5**	148·5	144·6	193·0	166·2	161·0	139·6	135·3	156·8	132·7	121·6	157·7	183·2	134·6	171·6
1980	**150·6**	144·2	146·1	197·3	164·6	168·4	140·7	135.9	162·3	132·7	125·3	162·2	178·8	136·6	171·0
1981 (P)	**164.5**	170·3	157·6	219.6											
July, 1981	**163·5**	158·0	157·9	219·0	181·9	178·1	151·5	147·6	162·0	145·9	136·2	170·0	203·9	157·8	193. 7
August, 1981	**161.5**	152.0	155·5	224.1	184.4	177.2	149.5	139·7	150·0	138.5	130·7	167.6	205.4	152.8	192·7
September, 1981	**160·4**	159.0	155.8	221.9	183·4	186·6	148·4	142·6	157·7	140·8	130·3	174·4	208·3	148·0	193. 6
October, 1981	**162·5**	165.0	154.9	226.4	190·0	175·5	147·0	140·0	154·2	138·3	125. 9	165·8	216·4	145·2	199. 2
November, 1981	**168·6**	178·0	161·7	219. 5	192·4	185·9	148·6	151·9	167·8	150·0	136·3	175·6	215·5	153·4	201·0
December, 1981	**180.9**	197·0	173·5	229. 7											
January, 1982	**166. 5**														
A year ago†	**178**.6	165·0	164·7	216·0	171·5	166·1	140·7	140·6	163·6	137·8	126·5	161·4	188·3	135·8	177·0

Note:—Figures for the *last three* months are provisional and *generally* subject to revision. *Derived series (R.B.I. Classification). Revisions are carried out in the group indices as and when advised by the C.S.O. @Consists of coal and lignite, petroleum crude and products, and electricity.

†Figures in this row relate to that month in the previous year corresponding to the latest month for which data are presented.

Original Source: Central Statistical Organisation.

Statement of Affairs of the Reserve Bank of India : 1977-78 to 1981-82

(Issue and Banking Departments Combined) (Rs. Crores)

As on last Friday/ Friday	LIABILITIES					Total Liabilities/ Assets 1+2+3 = Total 5 to 11	ASSETS								
	Notes in Circulation	Deposits			Other Liabilities		Foreign Exchange Assets[1]	Gold Coin and Bullion	Government of India Rupee Securities	Loans and Advances			Bills Purchased and Discounted	Investments	Other Assets[3]
		Total	Of which Central and State Governments	Of which Scheduled Commercial Banks						Total	Of which State Governments[2]	Of which Scheduled Commercial Banks			
	(1)	(2)	(2a)	(2b)	(3)	(4)	(5)	(6)	(7)	(8)	(8a)	(8b)	(9)	(10)	(11)
1977-78	8,602	6,287	2,771	1,674	2,927	**17,816**	3,889	193	6,645	2,106	402	331	2,809	1,077	1,096
1978-79	10,267	4,876	723	2,634	3,222	**18,365**	4,655	219	7,366	2,352	170	546	1,675	852	1,246
1979-80	11,820	5,863	710	3.634	4,169	**21,852**	4,782	225	8,891	2,780	191	739	2,516	1,255	1,404
1980-81	13,733	6,520	788	4,092	5,108	**25,361**	4,320	226	12,238*	3,504	599	589	3,162	465**	1,446
1981-82	14,752	7,249	276	4,883	6,386	**28,386**	2,838	226	14,841*	5,484	1,906	831	3,191	456**	1,352
October, 1981	14,350	6,278	60	4,750	5,669	**26,296**	3,243	226	12,125	4,123	1,129	625	1,406	3,893	1,280
November, 198 1	14,102	6,088	78	4,584	5,808	**25,997**	3,121	226	11.880	4,111	1,137	572	1,650	3,741	1,268
December, 1981	14,112	6,426	71	4,567	5,916	**26,454**	3,276	226	11,945*	4,407	1,235	622	1,659	3,637**	1,303
January, 1982	14,267	6,815	67	4,665	6,118	**27,201**	3,283	226	14,242*	4,902	1,555	682	2,903	329**	1,315
February, 1982	14,543	6,555	58	4,475	6,273	**27,371**	2,789	226	14,496*	5,140	1,697	710	2,921	462**	1,337
March, 1982	14,752	7,249	276	4,883	6,386	**28,386**	2,838	226	14,841*	5,484	1,906	831	2,191	456**	1,352
April 2, 1982	14,946	7,330	270	4,868	6,686	**28,962**	2,930	226	15,234*	5,131	1,546	743	3,371	456**	1,634
A year ago	13,930	6,040	62	4,236	5,403	**25,374**	4,354	226	12,298*	3,484	684	549	2,860	470**	1,684

[1] Foreign securities plus balances held abroad. The latter includes cash, short term securities and fixed deposits. [2] Including temporary overdrafts. [3] Including rupee coins and Government of India one rupee notes. * Including *ad-hoc* treasury bills. ** Includes investments in foreign shares/bonds but excludes those in rupee securities.

All Scheduled Commercial Banks—Business in India : 1977-78 to 1981-82

(Amounts in Rs. Crores)

As on last Friday/ Friday	Deposits			Borrowings from Reserve Bank[1]	Cash in hand and Balances with Reserve Bank[2]			Investments			Bank Credit[4]		Select Ratios (in per cent)			
	Demand	Time	Aggregate (1a+1b)		Cash in hand	Balances with Reserve Bank[2]	Total 3a+3b	Government Securities[3]	Other Approved Securities	Total (4a+4b)	Total	Of which Food Credit	Cash to Deposit	Investment to Deposit	Credit to Deposit	Food Credit to Total Bank Credit
	(1a)	(1b)	(1) =	(2)	(3a)	(3b)	(3)	(4a)	(4b)	(4)	(5)	(5a)	(6)	(7)	(8)	(9)
1977-78	4,872	17,340	**22,212**	331	469	1,674	**2,143**	5,907	1,990	**7,897**	**14,939**	1,984	9·65	35·55	67·26	13·28
1978-79	5,826	21,190	**27,016**	546	557	2,634	**3,191**	6,621	2,488	**9,109**	**17;795**	2,210	11·81	33·72	65·87	12·42
1979-80	6,643	25,116	**31,759**	739	616	3,634	**4,250**	7,444	3,181	**10,624**	**21,537**	2,100	13·38	33·45	67·81	9·75
1980-81	7,798	30,190	**37,988**	589	766	4,092	**4,858**	9,219	3,967	**13,186**	**25,371**	1,759	12·79	34·71	66·79	6·93
1981-82	8,494	35,256	**43,750**	831	802	4,883	**5,685**	10,129	4,903	**15,122**	**29,599**	2,131	12·99	34·56	67·65	7·20
October, 1981	8,317	33,754	**42,071**	625	896	4,750	**5,646**	10,084	4,670	**14.754**	**27,953**	1,925	13·42	35·07	66·44	6·89
November, 1981	8,307	34,121	**42,429**	572	859	4,584	**5,443**	10,517	4,736	**15,253**	**28,149**	2,093	12.83	35·95	66·34	7·43
December, 1981	9,011	34,823	**43,835**	622	876	4,567	**5,442**	10,105	4,801	**14,906**	**29,325**	2,304	12·41	34·00	66·90	7·86
January, 1982	8,666	34,693	**43,359**	682	850	4,665	**5.515**	9,929	4,899	**14,828**	**29,704**	2,433	12·72	34·20	68·51	8·19
February, 1982	8,618	34,821	**43,440**	710	833	4,475	**5,308**	9,846	4,994	**14,839**	**29,777**	2,352	12·22	34·40	68·55	7·40
March 5, 1982	8,575	34,859	**43,434**	769	812	4,614	**5,426**	9,825	5,001	**14,826**	**29,691**	2,366	12·49	34. 13	68·36	7·97
March 12, 1982	8,232	35,195	**43,427**	785	805	4,748	**5,553**	9,854	4,993	**14,846**	**29.688**	2,349	12·79	34·16	68·36	7·91
March 19, 1982	8,145	35,120	**43,266**	807	802	4,849	**5,651**	9,844	4,986	**14,830**	**29,587**	2,102	13·06	34·28	68·38	7·10
March 26, 1982	8,494	35,256	**43,750**	831	802	4,883	**5,685**	10,129	4,993	**15,122**	**29,599**	2,131	12.99	34. 56	67·65	7. 20
April 2, 1982	8,467	35,227	**43,694**	743	796	4,868	**5,664**	10,317	4,997	**15,314**	**29.841**	2,045	12·96	35·51	68·30	6·85
April 9, 1982	8,387	35,321	**43,708**	760	791	5,171	**5,963**	10,460	5,049	**15.509**	**29.801**	2,148	13·64	35·48	68·18	7·21
A year ago	7,606	30,618	**38,223**	548	753	3,949	**4,702**	9,492	3,970	**13,463**	**25,600**	1,693	12·30	35·22	66·98	6·61

[1] As available in the Reserve Bank records. [2] As per the statement of affairs of the Reserve Bank of India. [3] At book value; including treasury bills and treasury deposit receipts, etc. [4] Effective July 27, 1979, the data are inclusive of *all* participation certificates (PCs) issued by scheduled commercial banks, i.e. to other banks *and* financial institutions. Prior to this date, the data were inclusive of PCs issued to *banks only and not to financial institutions.*

Money Stock Measures

(Rs. Crores)

As on last Friday/Friday	Currency with the Public		Deposit Money of the Public		M_1 (1+2)	Post Office Savings Bank Deposits	M_2 (3+4)	Time Deposits with Banks	M_3 (3+6)	Total Post Office Deposits	M_4 (7+8)
	Total	*Of which* Notes in Circulation	Total	*Of which* Demand Deposits with Banks							
	(1)	(1a)	(2)	(2a)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1977-78	8,631	8,631	5,757	5,687	**14,388**	1,677	16,065	18,518	**32,906**	4,130	37,036
1978-79	10,220	10,212	7,009	6,843	**17,229**	1,850	19,079	22,632	**39,861**	4,777	44,638
1979-80	11,699	11,789	8,248	7,857	**19,947**	2,036	21,983	26,845	**46,792**	5,658	52,450
1980-81	13,453	13,688	9,747	9,336	**23,200**	2,334	25,534	32,445	**55,445**	6,632	62,077
198182-	14,445	—	10,304	10,138	**24,749**	—	—	37,532	**62,281**	—	—
June, 1981	13,976	14,393	9,918	9,796	**23,895**	2,241	26,136	34,251	**58,146**	6.650	64,796
July, 1981	14,080	14,402	9,933	9,746	**24,013**	2,245	26,258	34,878	**58,891**	6,682	65,573
August, 1981	13,230	13,543	9,901	9,697	**23,131**	2,253	25,384	35,267	**58,398**	6,780	65,178
September, 1981	13,221	13,502	9,813	9,648	**23,034**	2,259	25,293	35,696	**58,730**	6,847	65,577
October, 1981	13,954	14,306	10,088	9,917	**24,042**	2,259	26,301	36,003	**60,045**	6,901	66,946
November, 1981	13,745	14,059	10,048	9,908	**23,793**	2,259	26,052	36,370	**60,163**	6,972	67,135
December, 1981	13,738	14,068	10,805	10,611	**24,543**	2,226	26,811	37,072	**61,615**	7,046	68,661
January, 1982	13,916		10,469	10,270	**24,385**			36,898	**61.283**		
February 1982	14,213		10,291	10,178	**24,504**			37,049	**61,553**		
March 5, 1982	14,567		10,268	10,143	**24,835**			37,088	**61,923**		
March 12, 1982	14,791		9,929	9,800	**24,720**			37,423	**62,143**		
March 19, 1982	14,609		9,922	9,779	**24,531**			37,417	**61,948**		
March 26, 1982	14,445		10,304	10,138	**24,749**			37,532	**62,281**		
A year ago	13,453		9,747	9,336	**23,200**			32,245	**55,445**		

Sources of Change in M_3

(Rs. Crores)

As on last Friday/Friday	Net Bank Credit to Government			Bank Credit to Commercial Sector*			Net Foreign Exchange Assets of Banking Sector			Government's Currency Liabilities to the Public	Banking Sector's Net Non-monetary Liabilities (Other than Time Deposits)			M_3 (1+2 3+4 —5)
	RBI's Net Credit	Other Banks' Credit	Total (1a+1b)	RBI's Credit	Other Banks' Credit	Total (2a+2b)	RBI's	Other Banks'	Total (3a+3b)		of RBI	Residual	Total (5a+5b)	
	(1a)	(1b)	(1)	(2a)	(2b)	(2)	(3a)	(3b)	(3)	(4)	(5a)	(5b)	(5)	(6)
1979-80	12,405	7,696	**20,101**	1,546	29,084	**30,630**	5,388	—93	**5,295**	**592**	4,558	5,268	**9,826**	**46,792**
1980-81	16,443	9,504	**25,947**	1,700	34,279	**36,279**	4,823	—93	**4,730**	**609**	5,360	6,760	**12,120**	**55,415**
1981-82	19,667	10,436	**30,103**	1,909	40,972	**12,181**			**2,529**	**621**	6,099	7,407	**13,506**	**62,281**
June, 1981	17,278	10,282	**27.560**	1,689	35,849	**37,538**	4,248	—45	**4,203**	**618**	5,107	6,666	**11,773**	**58,146**
July, 1981	17,462	10,890	**28,352**	1,764	36,285	**38,049**	4,248	—45	**4,203**	**616**	4,777	7,552	**12,329**	**58,891**
August, 1981	16,195	10,891	**27,086**	1,758	36,247	**38,005**	3,716	—45	**3,671**	**615**	4,367	6,613	**10,980**	**58,397**
September, 1981	17,054	10,602	**27.656**	1,784	36,636	**38,420**	3,608	—45	**3,563**	**615**	5,153	6,371	**11,524**	**58 730**
October, 1981	18,134	10,405	**28.539**	1,775	37,671	**39,446**	3,543	—45	**3,498**	**622**	5,442	6,618	**12,060**	**60,045**
November, 1981	18,017	10,839	**28,856**	1,801	37,932	**39,733**	3,374	—45	**3,329**	**624**	5,581	6,798	**12,379**	**60,163**
December, 1981	18,082	10,427	**28,509**	1,872	39,173	**41,045**	3,239	—45	**3,194**	**624**	5,665	6,092	**11.757**	**61,615**
January, 1982	18,642	10,240	**28,882**	1,909	39,948	**41,857**			**2,896**	622	5,844	7,130	**12,974**	**61,283**
February, 1982	19,063	10,155	**29,218**	1'912	40,303	**42,215**			**2,535**	**624**	5,997	7,042	**13.039**	**61,553**
March 5, 1982	19,384	10,184	**29.518**	1,911	40,236	**42.147**			**2,453**	**624**	5,807	7,012	**12,819**	**61,923**
March 12, 1982	19,972	10,163	**30,135**	1,910	40,234	**42,144**			**2,447**	**624**	6,056	7,151	**13,207**	**62.143**
March 19, 1982	19,754	10,157	**29.911**	1,911	40,531	**42,442**			**2.513**	**621**	5,981	7,561	**13,512**	**61.948**
March 26, 1982	19,667	10,436	**30,103**	1,909	40,572	**42,481**			**2.579**	**621**	6,089	7,407	**13.506**	**62.281**
A year ago	16,444	9,504	**25,947**	1,700	34,579	**36,279**			**4,730**	**609**	4,647	6,760	**12,120**	**55,415**

*Includes public sector enterprises.

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ECONOMIST

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This Week

April 28

The rupee became cheaper by five paise against the pound-sterling following its devaluation by 0.29 per cent. The middle rate per pound deteriorated o Rs 16.70 from Rs 16.65.

India's exports during April-January have risen by 13.9 per cent and imports by 13.3 per cent. The trade deficit in his period was Rs 4,521 crores.

pril 29

Iranian Foreign Minister, Ali Akbar Velayati, stated that India could bank on Iran as a reliable source of oil supplies.

India and Romania recognised the scope for joint execution, tendering and sub-contracting in third country projects.

The Union Government gave technical clearance for the Thein Dam project.

April 30

The index of wholesale prices with base 1970-71=100, at 275 was 0.5 per cent less than the revised index for the same week last year.

The Reserve Bank devalued the rupee against the pound-sterling by 0.29 per cent. The middle rate per pound deteriorated to Rs 16.75 from Rs 16.70.

17 Anand Margis including two women were killed and six injured by a franzied mob at Kasba near Calcutta.

May 1

The world community adopted a convention stating rules for the use and exploitation of the seas and sea-bed on the planet.

The Government banned the Dal Khalsa and the Council of Khalistan in a firm bid to curb successionist and anti-national activity in Punjab.

The Public Accounts Committee has asked the Government to examine the feasibility of replacing the cash assistance scheme by inbuilt system of providing fiscal relief to exporters.

May 2

The Oil and Natural Gas Commission proposes to increase its annual crude oil production in the North-Eastern Region to three million tonnes by 1984-85 against its present annual production of two million tonnes in that region.

May 3

Argentina rejected a peace plan in the Falkland Islands conflict suggested by US Secretary of State Alexander Haig and offered by the President of Peru.

President Sanjiva Reddy left for a state visit to Ireland and Yugoslavia.

Sri Lanka decided to give an additional four per cent rebate on all machinery imports from India against the Rs 10-crore credit line extended by the Industrial Development Bank.

The Congress (I) captured all the ten seats it contested in the biennial election for 13 seats of Uttar Pradesh Vidhan Parishad from the Vidhan Sabha constituency in Lucknow.

The Government has decided to allow export of barytes lumps and powder for all categories of exporters without any quantitative restriction.

With a view to improving the presentation of accounts by banks, Reserve Bank of India has constituted a 10-member committee of exports.

May 4

The Indian rupee became cheaper by 5 paise against the pound sterling following its devaluation by 0.29 per cent. With this revision, the 34th this year, the middle rate per pound depreciated to Rs 16.80 from Rs 16.75.

Argentine naval rescue vessels picked up 400 survivors of the torpedoed cruiser General Belgrano.

China announced a major Government reshuffle including a reduction in the number of vice-premiers from 13 to two and in ministries from 52 to 41.

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ECONOMIST

Whatever Happened to Inflation ?

INFLATION, WE are told, is now in reverse gear. The wholesale price index for the week ending April 17 was 0.5 per cent lower than it was a year ago. The point-to-point price rise a year ago was 17.4 per cent, and two years ago it was over 20 per cent. Do we hear rapturous applause from the masses?

Alas, there is only deafening silence. Most urban consumers are astounded by the Government's claim when their own experience shows otherwise. And a look at the consumer price index for industrial workers confirms their impression. The consumer index in February—the latest month for which the figure is available—was a clear 9.6 per cent higher than a year previously. That was still an improvement over the 13.4 per cent rise in the index in February 1981. Everybody will agree that inflation has certainly slowed down. But it is only natural for observers to jeer at the Government's claim that inflation has turned negative. Indeed, there is dark talk of fudging statistics.

This last charge is quite baseless. If indeed the Government was out to cook the figures, it would surely have fixed the consumer price index as well as the wholesale price index. To solve the mystery, we have to delve a little deeper. It is well known, that the coverage of the two indices is quite different, and the weightage attached to items is again quite different. The consumer price index for industrial workers gives a very high weightage to food items, and the price of these items is judged basically by the rate at fair price shops. The wholesale price index gives far more weightage to open market prices and to a variety of industrial and agricultural products that do not figure directly in the consumption basket of the industrial worker.

In the past year, there has been a curious contrary trend in open market rates and ration shop prices. Thanks to a second fair monsoon in succession, there has been a sharp drop in open market rates for sugar and foodgrains. But ration shop prices of the same items have gone up. Thanks to higher procurement prices, the issue price of the public distribution system has been raised within the last year from Rs 130 to Rs 145 per quintal for wheat and from Rs 165 to Rs 175 per quintal for rice. The issue price of sugar has gone up from Rs 3.50 to Rs 3.65 per kilo.

Here then is the key to the paradox. Open market rates have fallen while ration shop rates have been rising. Hence wholesale prices have come down even as the consumer price index for industrial workers is going up. Those dependent on ration shops are paying more. But those dependent on the open market—a far bigger proportion of the population—are paying less. Three-quarters of the population live in rural areas without ration shops and have benefited.

The wholesale price index covers a far wider range of goo
than the consumer price index. The former is thus a far mo
accurate indicator of the overall state of affairs, although
too suffers from significant deficiencies. For instance, t
weightage given to energy items is far too small. Crude petr
leum is given a weight of only 0.6 per cent, though it accoun
for over 10 per cent of GNP today. What is worse, the pri
index for crude is based entirely on imported oil. This is i
explicable at a time when domestic crude accounts for half o
total consumption. The domestic price of crude was treble
last July. Yet the wholesale price index shows that petroleu
prices are 7.2 per less than a year ago—a blatant distortio
caused by tagging the index to imported crude.

However, crude has such a small weight that one cann
accuse this factor of upsetting the entire index. What the co
sumer actually buys are refined products like petrol and ker
sene, and the price index of such mineral oils has gone up
clear 9.6 per cent, reflecting the price hike last summer. Min
ral oils have a much higher weightage—4.9 per cent—th
crude, so that it compensates for the deficiencies in the cru
oil index.

The break-up of the wholesale price index for April
shows that the biggest fall in prices compared to a year ago h
taken place in pulses (10.7 per cent), fibres (8.2 per cent), o
seeds (9.3 per cent), sugar, khandsari and gur (42.1 per cent
edible oil (3.1 per cent) and jute (1.5 per cent). This refle
the impact of favourable weather.

The biggest price increases were registered by cement (56
per cent), iron and steel (20.9 per cent), paper (12.7 cent) a
mineral oils (9.6 per cent). In every one of these cases it w
the increase in administered prices that was responsible rath
than open market conditions. And there was in every case
strong reason for increasing prices and liberalising official co
trols. There has been criticism of this policy by leftists on t
ground that it will spark off inflation, and that it has all be
done at the behest of the IMF. The fact that the wholes
price index has come down despite such a sharp rise in admin
tered prices proves that the leftist theory is bogus. It is qu
permissible to have explicit subsidies (as in the case of fo
fertilisers and exports), but low administered prices simply d
tort production and investment patterns without really curbi
inflation.

The wholesale price index for cereals has shown a rise of
per cent compared to a year ago. This is due mainly to t
increase in administered prices at ration shops, and once ag
demonstrates that there is much more to inflation than admin
tered prices. It is important that agricultural prices, no l
than industrial prices, are kept at levels where producers earn

eturn good enough to encourage more investment and production. The increase in oil prices in 1979-81 led to a big jump in he rates for diesel (used in tractors and pump-sets) and fertiisers. Labour rates, and virtually all other input costs have one up. Hence there has been a relentless but necessary increase in procurement prices.

Industrial prices present a mixed picture. Industries based on agriculture have shown declining prices—not only sugar but edible oils, tobacco manufactures, jute goods, confectionery and bakery products. Other industrial goods have gone up much more in price, reflecting continuing cost pressures. The dramatic improvement over the last year in infrastructure—railways, coal, power—has helped industrial output to spurt by 9 per cent. A liberal import policy has also helped end shortages that were rampant a year ago, and the removal of price controls on items like steel and cement has dealt the blackmarketeer a blow.

The IMF will doubtless be very happy with latest figures. Most borrowers from the IMF are having difficulty in meeting performance criteria, and the IMF has suspended disbursement to 15 borrowers, notably Rumania, for failing to meet performance tests. Indeed, there are plenty of observers who decry the IMF for imposing politically impossible conditions. The Indian example proves two things. First, it proves that good management is both possible and politically feasible. It also proves that the IMF was right in imposing relatively light conditions on India, against the advice of the USA.

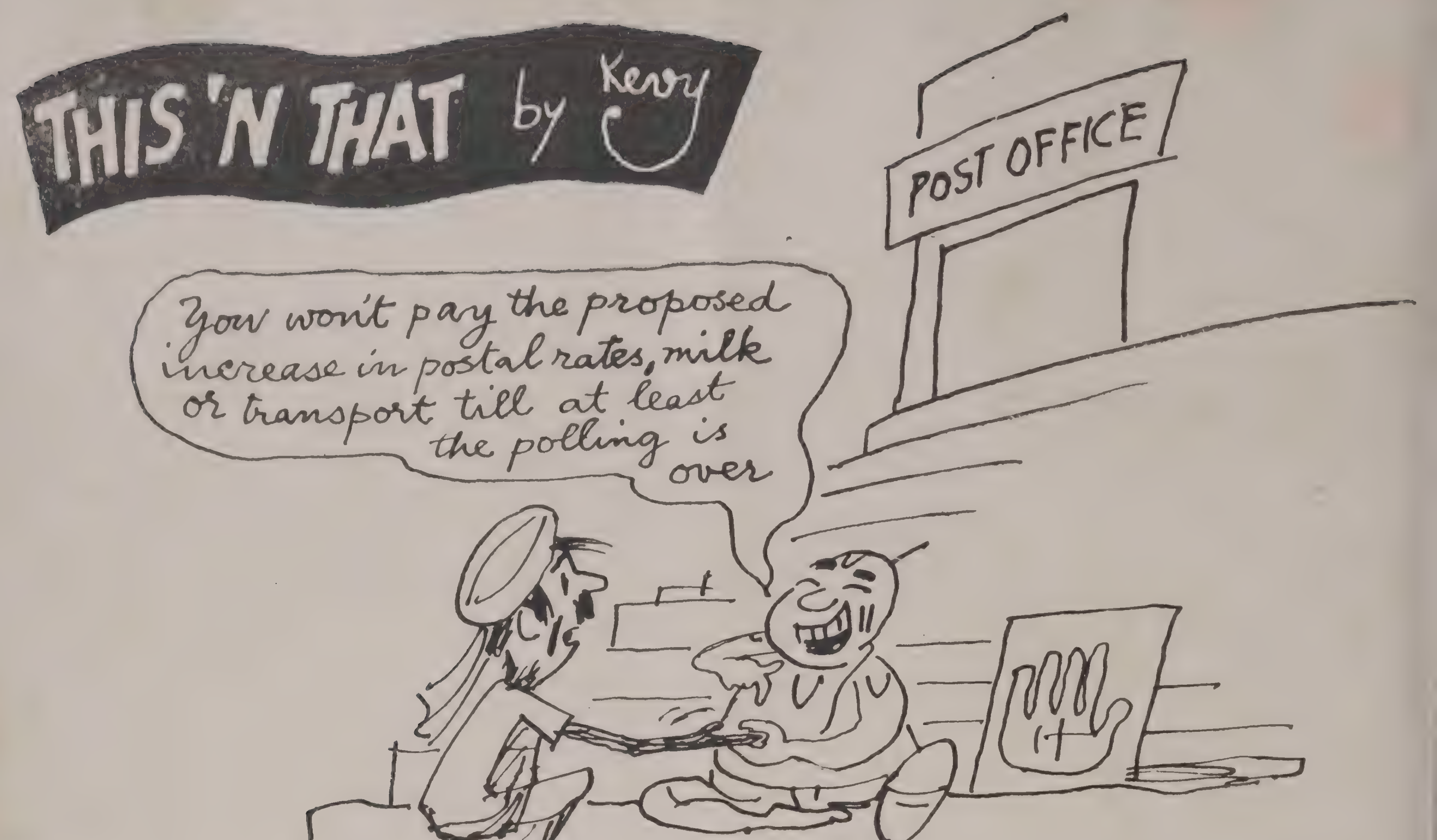
Thanks to an unprecedented fall in bank deposits in January-March, when deposits usually rise fast, money supply was way below expectations. This may have been okay with the IMF, but business has been groaning under the unplanned credit squeeze. The Reserve Bank has gingerly liberalised some credit guidelines, but the liberalisation does little more than legalise the overlent situation of banks. It does not provide fresh credit. Fortunately, deposits have started rising again in April, and it is possible that the worst of the credit squeeze is over. There is no question that a tight fiscal and monetary policy on the Government's part has helped curb inflation. But there is equally little question that tight money beyond a point hurts investment and production, thus sowing the seeds of inflation. We have got out of the frying pan. Let us not jump into the fire.

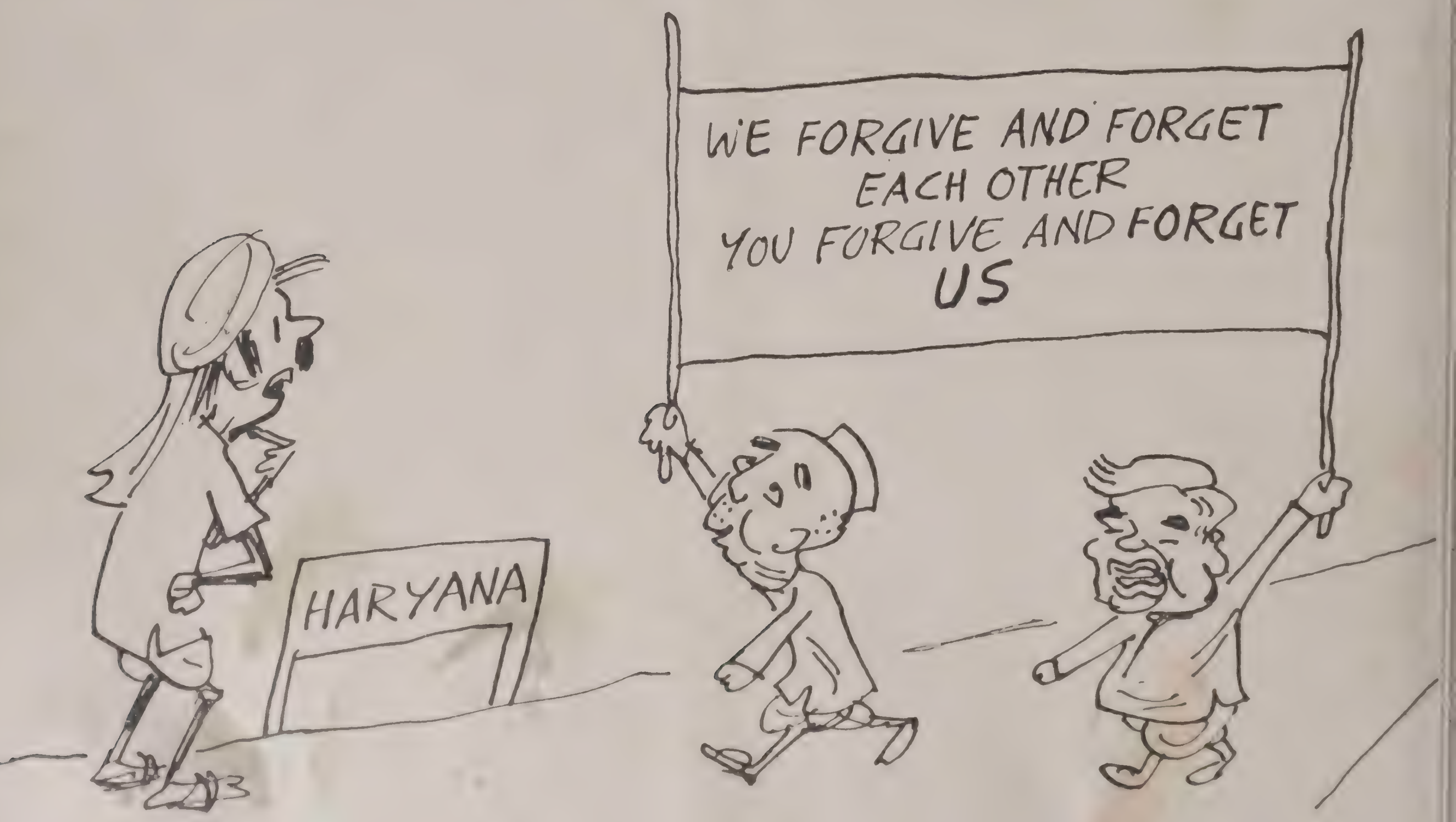
Wholesale Price Movements

Major Group/Group/Sub-Group	Weight in Relation to 'All Commodities'	Index Number of Wholesale Prices (Base 1970-71 = 100) For the Week Ending			Percentage Variation Over	
		17.4:82 Latest week	20.2.82 Eight weeks ago	18.4.81 A year ago	Eight weeks	A Year
All Commodities	**1,000.00**	**275.0**	**276.9**	**276.5**	(—) 0.7	(—) **0.5**
Primary Articles	**416.67**	**255.9**	**263.4**	**251.5**	(—) **2.8**	**1.7**
Cereals	107.43	221.6	221.3	206.3	0.1	7.4
Pulses	21.79	299.7	314.8	335.7	(—) 4.8	(—)10.7
Fibres	31.73	195.5	208.1	213.0	(—) 6.1	(—) 8.2
Oilseeds	42.01	222.6	239.2	245.4	(—) 6.9	(—) 9.3
Petroleum Crude and Natural Gas	6.02	2,006.4	2,045.5	2,162.3	(—) 1.9	(—) 7.2
Fuel, Power, Light and Lubricants	**84.59**	**437.7**	**437.7**	**400.5**	—	**9.3**
Mineral Oils	49.12	512.8	512.8	468.0	—	9.6
Manufactured Products	**498.74**	**263.3**	**261.0**	**276.3**	**0.9**	(—) **4.7**
Sugar, Khandsari and Gur	72.41	239.8	260.6	414.5	(—) 8.0	(—)42.1
Edible Oils	37.16	245.9	253.4	253.8	(—) 3.0	(—) 3.1
Tobacco Manufactures	19.49	227.6	227.6	230.6	—	(—) 1.3
Cotton Textiles	81.02	231.2	229.7	224.3	0.7	3.1
Jute, Hemp and Mesta Textiles	12.14	188.5	169.6	191.3	11.1	(—) 1.5
Paper and Paper Products	8.51	304.6	298.4	270.2	2.1	12.7
Tyres and Tubes	9.84	312.2	300.1	266.0	4.0	17.4
Basic Industrial Chemicals	7.26	365.9	365.3	357.9	0.2	2.2
Fertilisers	12.52	278.0	278.0	259.5	—	7.1
Drugs and Medicines	9.83	160.8	159.5	145.2	0.8	10.7
Cement, Lime and Plaster	7.07	361.9	278.0	231.3	30.2	56.5
Iron and Steel and Ferro Alloys	34.73	378.8	332.2	313.3	14.0	20.9
Metal Products	13.23	295.1	292.9	277.8	0.8	6.2
Non-electrical Machinery	30.91	282.8	278.1	270.0	1.7	4.7
Electrical Machinery	19.54	224.1	223.2	216.1	0.4	3.7
Transport Equipment	16.73	301.7	300.3	286.0	0.5	5.5

Source : Office of the Economic Adviser, Ministry of Industry (Deptt. of Industrial Development), Government of India.

THIS 'N THAT by Kevy


POST OFFICE
You won't pay the proposed increase in postal rates, milk or transport till at least the polling is over


WE FORGIVE AND FORGET EACH OTHER
YOU FORGIVE AND FORGET US
HARYANA

Dry Thoughts

HUMAN beings are a sore disappointment to intellectuals. For centuries, intellectuals spoke passionately of the need to improve the lot of the poor and the oppressed, and strained every nerve to abolish the indignity and degradation of poverty. Now that poverty has indeed disappeared in many countries, the intellectuals are aghast to discover that the liberated human beings spend most of their time watching third-rate TV programmes, guzzling hamburgers and other junk food, reading pornography, and generally indulging in conspicuous consumption. Was it for this that battles of principle were waged through the centuries?

In one of the books reviewed in this issue of *Eastern Economist*, Rajni Kothari and others have wrung their hands at the progress of mankind, and declared that there is something basically wrong with the model of life man has created in the last century. Dr Kothari feels that man "must make a limitation of wants a centre-piece, and be based on an ethic of consumption that discourages ostentatious living, cuts down production and consumption of non-essential items."

What this means in practical terms is that we should learn to stop worrying and love a recession. A recession does precisely what Dr Kothari recommends—it discourages ostentatious living and cuts the production and consumption of non-essentials.

It also increases unemployment, of course. But in the welfare conditions of affluent countries, unemployment means in practice a paid holiday.

Dr Kothari will perhaps protest that I have totally misrepresented his argument. He does not want to force frugality on humans through a recession; he wants them to become naturally frugal. But the sad truth is that natural frugality will itself cause a recession, and if continued will cause a depression worse than that of the 1930s. The essentials of life add up to a very modest level of economic activity. Beyond that, it is only non-essentials that keep the economy growing. And the moment the demand for these non-essentials falters or falls, the economy plunges into a recession. The Great Depression was caused, as Lord Keynes discovered, by underconsumption and oversaving.

HUMAN beings may seem revolting and depraved when they indulge in ostentatious and wasteful living. But they get even worse in a recession. They spend their time bitching and growling with resentment, and occasionally rioting and looting. Although their essential needs and much more are met by unemployment benefits, they regard themselves as oppressed and poor, no less than the starving millions of India. They feel they have a fundamental right to their bad old habits of ostentatious living and the devouring of non-essentials.

There has never been a shortage of intellectuals to tell us what we do not need. They will say that television is inessential as conversation is superior entertainment. They will tell us that forks and spoons are inessential since we can eat with our hands. They will tell us that the consumerist norms of Western society are all wrong. But the fact remains that human beings everywhere have demonstrated that, given the chance, they will revel in disco music, hot dogs, jeans, video games, nude magazines, gossip about film stars, and other such inessential and low-brow pastimes. Not even the Communist nations, reared in an atmosphere of austerity and bombarded with propaganda about the decadent West, are immune from this—the most popular bribes that Soviet officials demand from Western visitors are said to be jeans and *Playboy* magazine.

DR Kothari and his fellow intellectuals are outraged by this model of consumerism, and want human beings to develop different models. But the universality of human tastes shows that consumerism is not a planned model imposed on humans, but a system which has evolved in response to the needs of human beings freed from the shackles of poverty. To object to consumerism is to object to human beings. The intellectuals want to produce a better, a different kind of person. I think they grossly underestimate the fundamental nature of their fellow beings. The kind of person they have in mind would no longer be a Homo sapiens—he would have to be classified as a new species, as a Homo Kothari.

THE Homo sapiens is by nature greedy, wasteful, cussed, boorish, avaricious and vulgar. He has many nobler qualities too. But greed and the spirit of acquisitiveness are essentials of his make-up. These characteristics have done more to abolish poverty than all the high-principled speeches of intellectuals. The techonological improvements in productivity which have made societies rich owe an unpayable debt to the greed and vanity of businessmen and inventors who were interested mainly in gaining fame and fortune for themselves and only incidentally in the advancement of society.

Human beings can be quite exasperating. So can intellectuals. Dr Kothari's protests remind me of the famous jingle of Professor Higgins which begins "Why can't a woman be more like a man?" and ends "Why can't a woman be more like me?".

Swaminathan S. Aiyar

Integrated Approach to Rural Development

Dr William J. Nagle

A DECADE ago the term community development in the USA was used in the context of what had become a national policy consensus. It was partly formed because of the urban riots that occurred during the early '60s. The consensus was that something had to be done to stop, or at least drastically reduce, the very consistent rural to urban migration.

Both the Republicans and the Democrats in their political platforms in the 1968 campaign called for rural development. The Democratic pledge was in terms of balanced growth of rural and urban areas; the Republican declaration came under the heading "Crisis of the Cities", and explicitly sought to stem the flow of people from the countryside to the city.

The same year President Johnson's Commission on Rural Poverty issued its report, "The People Left Behind". The thesis of the report was that the migration of farmers and other mobile rural people to the cities had left a core of residual rural poverty, especially among those who would not or could not seek opportunities away from their rural origins. That report strongly influenced the US Congress to pass later the Rural Development Act of 1972.

Pattern Reversed

Since that time, and accompanied in the 1970s by a very dramatic and quite unexpected reversal of the rural-urban migration pattern, national policy on rural America has been and continues to be to stimulate non-farm rural economic opportunities and to ameliorate the most severe individual and general effects of poverty.

President Carter issued the first Presidential level policy on small community and rural development. Its stated goals are similar to some of the major goals in India's Five-Year Plans : to meet the basic human needs of rural America, to provide opportunities for rural people to be fully and productively employed, and to promote responsible use of stewardship of resources in the environment for the best conservation and quality of life.

The World Bank defines "rural development as a strategy designed to improve the economic and social life of a specific group of people—the rural poor—and involves extending the benefits of development to the poorest among those who seek a livelihood in rural areas".

The term "rural" regarding the US, simply means non-metropolitan. A metropolitan area in the US is a city with a population of 50,000 or more and the counties that surround it. There are 3,097 counties in the US, distributed among the various States.

Let me touch briefly on the demography and general economics of rural America. Even within the US the popular, general perception of a rural area is that it remains chiefly agricultural, and that most rural people make their livelihood in ways directly related to agriculture. But the actual facts are significantly different.

Urban Migration

Between 1920 and 1970, there was a consistent rural to urban migration. The rapid mechanisation of agriculture combined with a drastic decline of foreign immigration after the '20s accelerated the urban migration. The urban share of the total population in that period increased from 51 per cent to 72 per cent. In other words, in 1920 half of the population was still living in rural areas, and 30 per cent of the total number of people in the country were farmers. Today, in 1981, about 4 per cent are farmers. There are one-fourth as many farmers now as there were in 1920.

This is obviously directly related both to the increased size of the farms and the vast mechanisation of agricultural production. As late as 1935 there were still 6.7 million farms in the US. By 1978 we were down to 2.6 million, and a figure more important than that i that 64,000 of them accounted for 40 per cent of the agricultural production In 1920, farm families with 32 millio people comprised two-thirds of the rura population. Today, farm families comprise less than 15 per cent of the rura population of about 60 million.

How, then, do these people make thei living if they are not farming? In 1975 21.6 million employed resident in non-metropolitan America worked i manufacturing. Only two million worked solely or primarily in agriculture forestry or fisheries. Therefore, from a employment point of view, just 9 pe cent were in agriculture, compared to 2 per cent in manufacturing.

Revival Trend

There is a revival of population growt in small-town America. The revival o the trend is most notable in the non metro counties that are not adjacent t metro areas, some of the counties havin the longest histories of decline. In th decade between 1970 and 1980, wherea three million more people moved out c such non-metro areas as into then between 1960 and 1970 there was an i movement at almost the same level 1970-80. And interestingly, non-far wage and salary employment grew double the metro rate.

That sounds as though conditions a rather good in rural America, They a certainly much better than they we say, in the depth of the Depression the 1930s. But despite all the progr in rural America, rural people in t US continue to be disadvantaged terms of wage level, medium fam income, employment opportuniti adequate housing (40 per cent of t inadequate housing stock in America in rural areas), access to health c and other essential public facilities. M of the unsafe drinking water, most of unsanitary sewage system is in rural are and there is also a dearth of local Gove ment capacity, of leadership.

At the end of the Carter Administ

, the Secretary of Agriculture issued results of a study on farm structure he US. The study pointed out that ing the last 20 years, under both publicans and Democrats, the major n-oriented programmes—the tax icies, the commodity credit prommes, the marketing system, technocal research and education—were all sed towards the large producer. It le the larger farms and the wealthy estors the chief beneficiaries of those icultural programmes. In other rds, the wealthy got wealthier.

Increased Productivity

Certainly that same period was acmpanied by a great increase in proctivity. The study said that the USA d passed the point when any net gains society can be claimed from policies t encourage large farms to become ger. The study recommended new islations that would make the newer ieies in favour of small family farms against the large, agri-business comrcial farms.

In the US agriculture has come to be minated by agri-businesses some of ich involve multinational corporations at are huge not only in food production t in a variety of programmes that go beyond our own borders. Rural velopment, as the term is most comnly used now, focuses on the rural or, non-farmers as well as farmers.

The history of rural development in e US over the last 20 years can be id to have been in large part a history inter-Governmental relations, and a arch for new instruments through nich development could be managed d coordinated. The coordination oblem became acute with the plethora new federal socio-economic programes that started under President John-n. They created administrative nightares. Some had to be administered the State level, some at sub-State and me at county or town levels.

And so the big challenge was, and mains, how to manage these programes, how to get planning done at local vels and integrate it with the next level, ow to get all the State and Federal overnment machinery working together. Coordination has posed the greatest challenge to rural development.

Back in the early '50s there were some experiments in trying to organise rural development committees and new institutions down at the county level, and there were quite a large number of them. In less than 10 years, most of these local country committees had become ineffectual or non-existent. There were three reasons for this: they had no full-time professional staff to provide for an ongoing leadership because they were organised on a county basis, many of which had small populations; they frequently did not have enough people with leadership ability; and, some of the local programmes were simply too narrow and were not devoted to total resource development.

The Economic Development Administration (EDA), a new federal agency created in 1965, provided for a new programme of multi-county economic development districts. There had emerged a realisation that planning and action programmes could not start or stop at the county line. There was also a realization that in many States the county system was an anachronism.

Secret of Success

The relative success and longevity of the new multi-county development programme, started by EDA, and the later non-metropolitan planning and development districts (councils of Government funded by the Department of Housing and Urban Development and by the States) is accounted for because:

1. Full-time professional staff was provided;
2. There was a larger pool of citizen leadership;
3. Programmes were broader and included not only agricultural, job creation and other economic development concerns, but water and sewer and other community programmes and housing.

Regarding integrated rural development in the US we might say that it is a constant process of trying out new things. Some work and some do not. Although integrated rural development needs to be looked at from the grassroots level, it is also necessary to ask what the Central Government is doing, how its agencies relate to each other and to the individual states, district offices etc.

The most important aspect of US Government's rural development policy was the process, the institutions it was trying to create, rather than the programmes themselves. In fact, there was no need for more programmes. There were enough programmes, but they were not working very well. Agencies were running into one another, and bureaucrats were being parochial instead of being cooperative.

Leadership Role

For example. the Department of Agriculture was given a mandate by the US Congress to give leadership in coordination, so the Secretary attempted to set up a high-level inter-departmental committee, but it was found to be extremely frustrating, because none of the people wanted others to tell them how to do their work. It didn't take long to realise that the only way to make the Cabinet Secretaries listen was through the President. And so the coordinating group was moved to the White House, and the President's own assistant for inter-Governmental relations became in effect the chairman of that committee. And that really made things happen.

What the rural poor lack most is political power. They do not have the means to make their claims on either the State or Central Governments. This is true not only of India and US but all over the world. Some time ago there was a conference in Rome on agrarian reforms. The secretary general of that conference was Hernandez Santa Cruz. He recently gave a speech in which he said agrarian reforms and rural development are essentially political in nature.

"When a Government is really interested in agrarian reform, it transfers resources and power from one group in society to another, and as a consequence, action in favour of rural poor will not be easily accepted by existing pre-reform power structures. The government has to create new structures which increase the participation of the poor group not only in access to resources but also in decision-making processes. Therefore the political structure must undergo reform as well."

The Case Against Foreign Aid

Peter Bauer & Basil Yamey

The two authors are Professors of Economics at the London School of Economics. Professor Bauer is the author of a book, "Equality, the Third World and Economic Delusion" which questions the basis and utility of foreign aid. He argues that foreign aid benefits neither donors nor recipients, but merely distorts investment patterns and encourages useless expenditure. He feels that liberal trade regimes in the West and a liberal attitude on the part of the Third World towards foreign investment would be the best way of promoting development.

OFFICIAL AID : A Disappointing Record: this is a section in the Brandt Report. Connoisseurs of the aid literature will know that this section will *not* be concerned with the effects of foreign aid in recipient countries. Rather, it is about the alleged inadequacy of aid flows from Western donor countries. Their Governments, unlike those of the recipient countries, have for long been targets for pointed criticism by the aid lobbies, with individual countries singled out for blame (or, occasionally, praise). Indeed, the official aid literature, including the latest and most prestigious instalment, the Brandt Report, does not examine in detail or systematically either the conduct of the recipient Governments or the effects of aid.

Brandt Report

The absence of systematic examination of the effects of aid in publications such as the Brandt Report is notable. After a third of a century of aid the economic plight of many less developed countries is still featured prominently in this literature. Many are said to be unable to service even very soft loans, the burden of which itself has been reduced by inflation—hardly a good advertisement for 33 years of aid. In his resignation speech Robert McNamara, former President of the World Bank, said that Third World poverty is 'now worse than ever' : and it is a commonplace of aid advocacy that the income gap between the West and the Third World (or between the North, meaning the West, and South) allegedly has increased. Moreover, the point is being made increasingly that further and expanded Western aid is necessary in order to make good the damage caused by Third World policies supported by aid or promoted by Western advisers. In all, a long critical look at the effects of aid by those who support it would seem to be an essential before they press their case for yet more aid, for more automatic aid, and for aid programmes extending into the twentyfirst century.

Damaging Effects

Such examination by the international and national aid spokesmen is not, however, forthcoming—although the flow of aid from the West was as much as £10 billions in 1979 (the latest year for which official statistics are available), to which the United Kingdom contributed about £1 billion, almost all as grants. Indeed, as the beneficial effects of aid are taken for granted, justification of aid in terms of a systematic examination of its effects would be otiose. The term 'aid' prejudges the results of the policy and simultaneously disarms criticism. It ensures, also, that there is an automatic case for further and increased aid; if aid is good, more aid is better. And even specific examples of the damaging effects of aid can be dismissed by the comfortable observation that aid would have been yet more beneficial had such instances not occurred; and that the reforms which are always promised would prevent their recurrence.

The axiomatic approach to official aid in effect measures benefit by cost, so that more is better. This approach is doubtfully appropriate (even if commonly adopted) for Government expenditures in the West. It is even less appropriate when the expenditure is in distant co
tries and in societies radically differ
from those in the West, and when t
money is given to Governments o
whose overall policies Western taxpay
have no control whatever, and the lo
populations often very little.

Axiomatic Acceptance

The axiomatic acceptance of the virt
of aid helps to explain why blatant a
malies pass virtually unnoticed. Americ
money, through multinational agenci
flowed to Cuba at a time when the Ame
can Government was protesting at Cub
intervention in El Salvador. Weste
aid routinely has gone to both sides
armed conflicts in the Third World: w
ness Ethiopia and Somalia, Morocco a
Algeria, and India and Pakistan. Aid h
been going to practically all OPEC cou
tries, including the richest, when t
recycling of their surpluses is said
create major difficulties for the West a
the rest of the world. Aid goes, mo
over, to recipient Governments which
turn dispense aid to others, in a f
cases, such as Saudi Arabia, even m
than they receive. Another anomal
for aid to provide for the expansion
output of a commodity in the recipi
country at a time when the donor Gove
ment is grappling with excess capa
and losses at home.

British aid to expand steel pro
tion in Morocco is one current ex
ple. And, as a final instance
anomaly, aid goes also to Governm
which have followed or are follow
policies which patently impoverish t
peoples or retard economic developm
The Tanzanian Government is a favo
aid recipient. Yet its domestic econo
policies—enforced 'villagization', i
propriate land reforms, eviction of
ductive minorities and confiscation
foreign enterprises—have seriously un
mined the country's economy and r
it heavily dependent on aid and impo
goods. Aid is thus clearly out of h

axpayers in the West, who are the real donors, have no control over its operation.

A significant shift in the case for aid has helped its advocates to dispense with xamination of the economic consequences of aid. Originally aid was advocated as necessary for the promotion of economic development in the LDCs. In principle, the extent of the achievement of this objective can be tested by the application of economic analysis and the examination of the record of recipient countries. But increasingly foreign aid is being urged as a system of international redistribution of income, from the richer West to the poorer South. The removal of resources from the West itself achieves some of the desired redistribution (and the more removed, the better this effect). And, as with policies of income redistribution within national economies, the advocates' case for redistribution does not depend on the conduct and economic performance of the recipients.

Durable Argument

Although increasing emphasis is being placed on foreign aid as an instrument of international redistribution of income and wealth, the most durable argument for aid remains the contention that, without official aid, Third World countries cannot progress at a reasonable rate. In fact, however, large parts of the Third World made rapid progress long before official transfers—witness South East Asia, West Africa and Latin America. The outstanding economic success stories in the contemporary Third World, such as Hong Kong, owe nothing or little to foreign aid. The emergence of hundreds of millions of people, both in the South and in the West from poverty to prosperity has not depended on external gifts. Economic achievement has depended, as it still does, on people's own faculties, motivations and mores, on their institutions, and on the policies of their rulers. In short, economic achievement depends on the conduct of people, including Governments. External donations have not been necessary for the development of any country.

Although it is often difficult to measure the results of aid in a recipient country, it can be established that even the maximum possible benefit must be small.

In the Third World, as in the West, Governments or private firms able to use investible funds effectively can obtain them commercially, locally or from abroad. (Contrary to what is often said, this applies also to Government expenditure on infrastructure. If productive, this raises incomes and therefore taxable capacity, enabling the borrowing Government to service the loans). The *maximum* contribution of foreign aid to development cannot therefore exceed the interest and amortisation payments which are avoided. In the large Third World countries this contribution even in the most favourable circumstances is much too small to affect development and to register in the national income statistics'.[1]

False Supposition

To suppose that the benefit is larger than the avoided cost of borrowing is to suppose that, without aid, the resources would not be made available. It is this false supposition which identifies the usefulness or indispensability of aid with the results of specific successful projects, such as the establishment, with the help of the Commonwealth Development Corporation, of certain plantations in Indonesia and Sabah (East Malaysia). It is evident from the history of economic development in South East Asia and elsewhere that these and similar investments can be established by private enterprises, domestic and foreign, if the investments are likely to be profitable and if such enterprises are allowed to operate. In fact, in many aid recipient countries there are restrictions, often outright prohibitions. on private foreign capital, enterprise and skills and on the development by local entrepreneurs of domestically available resources—controls which themselves cast doubt on the often asserted dedication of their Governments to the goal of economic advance. For the same reason, namely that borrowing is a substitute for aid, the argument is untenable that while aid is 'typically inconsequential or trival in quantitative terms', it can nevertheless have disproportionately large and significant qualitative effects by 'bridging internal savings gaps, breaking bottlenecks, and providing imports for which there is no adequate available foreign-exchange substitutes.' If such achievements were as profitable as this formulation implies, the Governments in question would have no difficulty in raising the necessary funds in financial markets.

Some aid recipient countries have, of course, experienced significant growth rates. But this experience, too, does not establish that the productivity of aid exceeds the avoided cost of borrowing.

The Track Record

It may be said that some Governments simply cannot borrow abroad. If this were so, it would show that their track record was bad, that they could not use capital productively, or that they were known for not being prepared to honour their obligations.[2]

The maximum possible contribution to development from the reduction in the cost of investible funds is not only marginal but is likely to be swamped by damaging repercussions. Aid is not like manna from heaven which descends impartially and benefits everybody.

The damaging effects of official resource transfers are set up by amounts of aid which, although small relatively to the recipient countries' GNP, are often a significant part of Government revenues and of foreign exchange receipts. The latter are the pertinent magnitudes, since the funds are available for Government spending at home and abroad.

The most serious adverse repercussion is that aid reinforces the disastrous politicisation of life in the Third World. It intensifies the hold of Government over the rest of society by increasing the money, patronage and power at its disposal. As a result of this politicisation, in many Third World countries the incomes, status and even economic and physical survival of large sectors of the population now depend upon the decisions of politicians and administrators. This situation engenders tensions, often conflict, notably in multiracial societies such as those of most major Third World countries, while it in any case inevitably diverts attention and energies from the ordinary business of life to the political sphere.

Foreign aid receipts make it far easier

for Governments to adopt or persist in policies which clearly obstruct development and reduce incomes, including those of the very poor. The long list of such policies of aid recipients includes persecution of productive groups, especially minorities, and sometimes also their expulsion; restriction on the inflow of capital, enterprise and skills; restraints on the activities of traders and even the destruction of the trading system; and a wide range of policies which discourage food and other agricultural production, including heavy taxation, enforced collectivisation, and restrictions or prohibitions on the use of categories of modern equipment and fertilizers.

It would, of course, be naive to suppose that adverse policies would not be pursued in the absence of aid. What is pertinent is that aid makes it easier for these policies to be pursued and continued for longer periods. This is because while it does little or nothing to promote development or relieve poverty, aid can alleviate immediate shortages and help to conceal from the population at large the worst effects of the damaging policies. As is well known, several Third World Governments depend for their survival on foreign aid. (This is often misleadingly expressed in the form that aid is necessary for the survival of their people).

The Determinants

As we have seen, any benefit from official aid derives from the reduction in the cost of investible funds. As many studies have shown and as is evident from observation and reflection, the volume of investible funds is not impartant as an engine of economic progress compared to the personal, social and political determinants of such progress. Politicisation as well as the other adverse effects of aid operates precisely on those determinants.

Aid impairs the international economic position of the recipients by driving up the rate of exchange, helping to maintain over-valued exchange rates or to increase the money supply. (This particular result could be offset if the transfers greatly enhanced the productivity of resources, but this is extremely improbable). Aid encourages imprudent financial policies, because external payments difficulties are an effective ground for appeal for aid. Moreover, since most aid is free and need not be repaid, there is little pressure on Governments to use the resources productively. In particular, market conditions, the supply of complementary factors of production and local institutional considerations affecting the productivity of the expenditures are apt to be disregarded, often at a heavy cost in domestic resources and at the expense of the local population, including the poorest.[3]

Aid also reinforces the widely prevalent idea that Third World betterment depends on outside factors. And it biases development policy towards unsuitable external models. Familiar examples include steel and petrochemical complexes.

Wrong Analogy

The success of the Marshall Plan in Europe in the early post-war years is habitually invoked in support of aid to the Third World to promote its development. This analogy fails completely. In post-war Europe the task was not development but reconstruction. People's faculties, institutions and political arrangements were appropriate to sustained prosperity, as was evident from pre-war experience. This is why Marshall aid could be terminated in four years, and West Germany could become an exporter of capital soon afterwards. Contrast this with the suggestions of indefinite continuation of aid flows to the Third World, and with the difficulties of many aid recipients to service very soft loans granted under earlier agreements.

A recent and still topical argument for large scale aid is based on the much increased cost of oil which is said to have blighted development in many Third World countries. According to this argument, these countries cannot develop satisfactorily unless the increased cost of oil is met by compensating aid flows. Yet South Korea, Taiwan, Hong Kong, Singapore and Brazil and many other Third World countries have continued to prosper in recent years although they
import all their oil, or practically al
it. It is the relatively prosperous Th
World countries which rely largely
imported energy; they are large users
energy because they are prosperous a
economically effective. The poor
Third World countries import very lit
oil or other forms of energy. Moreov
changes in relative prices are a conti
gency of economic life to be met
setting aside reserves and economising
the more expensive products. It is
patronise Third World people to s
that they cannot do this, but are depe
dent on external assistance.

Global Solidarity

In a report published in Novemb
1980, the Chairman of the Developme
Assistance Committee of the OEC
said: 'In human terms, unrequited tra
fers from rich areas to poor areas (a
thereby, with varying degrees of precisi
and directness, from the predominan
of richer to the predominance of poo
people in respective areas) are as app
priate across national boundaries
they are within them'. And accordi
to the same authority: '...The c
rationale of development assista
remains the profound intuition m
people have that unrequited transf
from the averagely richer people of r
areas to the averagely people of p
areas usually add more utility to
latter than they inflict disutility on
former'. The interest in 'global s
darity' of the ordinary citizens of
West, to whom these views are attrib
ed, are said to underline their Gove
ments' pursuit of aid policies.[4]
Brandt Report uses the same express
'global solidarity' in the some con
of an internationalised version of
welfare state.[5]

The notion of 'global solidarity'
fiction. So also is the notion of 'T
World solidarity'. Foreign aid has
fact been the only unifying character
of this huge, variegated, utterly div
collectivity after its components cam
be lumped together since the late 19
successively as the underdeveloped w
the non-aligned world, the less devel
world, the developing world, the T
World and now the South. These

pressions never made any sense except in so far as they referred to a collectivity of aid recipients. Official assistance provides the only unifying bond of its diverse, antagonistic and often openly hostile constituents. Moreover, this common interest serves to unite the Third World or South in hostility towards the West, since a hostile attitude and a 'unified bargaining front' are in the long run helpful in increasing the flow of aid from a West which is divided, lacking in confidence, and the victim of assiduously cultivated guilt feelings.[6]

Group Conflicts

Even within many individual Third World countries there is little evidence of solidarity, as is clear from persistent group conflicts, as in Malaysia, Indonesia, India, Nigeria, Uganda and elsewhere. The increased politicisation of life in these countries, reinforced as we have noted by foreign aid and the enlargement of the Government sector, has intensified conflicts and antagonisms. Aid has certainly not promoted internal harmony, not to speak of 'global solidarity'.

But the notion of 'global solidarity', or of a 'just and humane society' as in the Brandt Report, to be achieved through unrequited resource transfers from West to South is fatally flawed for other reasons as well. Thus the attempted analogy between domestic income redistribution and international income distribution is grossly inappropriate. Domestic income redistribution generally makes the richer people somewhat poorer, and the poorer people somewhat richer—the whole process made more costly all round by the costs involved in effecting the transfers and by the adverse side-effects of the policies, notably the discouragement of effort, enterprise and investment. Foreign aid makes the donor countries and their taxpayers somewhat poorer—and the service charges in the transfer process and the adverse side-effects are there too. But it is seriously misleading to suppose or to imply that the unrequited transfers either raise incomes generally in the recipient countries, or the incomes of the poorest people there.

It is a mistake to suppose that aid goes to the poor. It is given to their Governments. What happens to the aid then depends on the rulers and their interests and beliefs. In most Third World countries, improvement of the lot of the poorest takes a very low priority. (In many of these countries official redistribution does not accord with local traditions and mores, as shown by the absence of official social security systems, which in local conditions might also be difficult to operate).

There are many well-to-do people in aid recipient countries, especially in the Government sector and in other sectors closely related to it. The presence of these groups in countries where there is much abject poverty shows that the rulers, while demanding external donations, are not particularly interested either in domestic redistribution or in the lot of the poorest. How do the poorest benefit from the erection at vast expense of new capitals such as Brasilia, Islamabad, Lilongwe in Malawi, or Dodoma in Tanzania? Or from the creation of heavily subsidised industrial projects? Or from international airlines throughout the Third World, including countries such as Burundi and Laos, where the vast majority of people do not use these airlines, and local people cannot operate them? Many of these projects and enterprises created with the help of foreign aid represent a drain also on domestic resources.

Intractable Problems

Would it not be possible to remove some of these anomalies and paradoxes either by influencing the policies of the recipient Governments, or by giving aid directly to the poorest instead of their rulers? Neither course is really practicable, as such attempts would be resisted and sabotaged by the Governments. But were it practicable to give official aid directly to the poorest, other intractable problems would arise. The most obvious is the possible pauperisation and de-skilling of the recipients. In the Third World very large numbers of the poorest are materially unambitious. Official donations from abroad are likely to turn many of these poor into paupers. Whole societies can thus be pauperised. The Navajo Indians, heavily subsidised by the United States Government for many decades, are a familiar example. A recent example is large-scale pauperisation in the US trust territory of Micronesia. Large numbers of people there have abandoned productive activity such as agriculture and fishing because they can live comfortably on the largesse of the US administration. The results have amounted to a form of dis-development, and the de-skilling of people and continuing and intensified dependence on doles.

Biases and Errors

Unlike redistribution within a country, global redistribution relies on international income comparisons. These are subject to very large biases and errors. They greatly understate the relative incomes of large Asian and African countries compared to the West. According to World Bank estimates, the official figure of the national income of India has to be raised by a factor of more than three to make it comparable to that of the United States. Other scholarly studies have found much larger biases and errors. They arise from such reasons as the use in these comparisons of official exchange rates instead of purchasing power parities; underestimation (or complete disregard) of much of subsistence production and local exchange; and neglect of differences in age composition between the West and the Third World. The huge biases and errors in income comparisons involving Third World countries mean that these statistics cannot serve as a sensible basis for policy, including that of global redistribution.

Some observations are in order here on commodity agreements, whose expansion is urged by the Brandt Commission and by many other advocates of official wealth transfers. These agreements will neither promote development nor relieve poverty.

Commodity cartels benefit relatively prosperous people both in the West and especially in the Third World. (They profit prosperous people in the West, because rich countries often export primary products, and also because many people in the West have interests, as managers or shareholders, in primary commodities produced in the Third World.) The producers in the Third World covered by these schemes are relatively prosperous, and so are those who administer them. Commodity schemes raise the price of mass consumption goods, and thus raise the cost of living both in the West and in the Third World. They prevent the establishment and expansion of efficient low cost producers. Thus prices are raised both because costs are inflated and because returns of the producers are increased. Moreover, the schemes can operate only by excluding potential suppliers; and especially in the Third World, these excluded potential suppliers are far poorer than those who benefit[7]. Even if commodity schemes were to succeed, which is unlikely for any material length of time, their impact on income distribution would be regressive. In all, wealth transfers achieved through commodity schemes are bound to be more wasteful than equipment transfers made directly. And by damaging the position of the poorest in the Third World, the operation of commodity schemes would provide additional ground for increased conventional aid.

Zero-sum Game

The appeal of aid policies in the West would be greatly increased if it were true that the donor economies themselves benefited from giving resources away. If this were the case, the transfer of resources from West to South would not be (in current jargon) a zero-sum game in which the loss to the West was equal to the gain to the South, with no net gain to the 'World' as a whole (but in fact with a net loss because of the costs and repercussions of the transfers and of the movement of resources from countries of higher to those of lower productivity). Instead, it could be a game in which everybody won and nobody lost—a game all would like to play. Aid advocacy today often suggests that this is what we are dealing with. The Brandt Report tells us (p 33): 'The South cannot grow adequately without the North (i.e. West). The North cannot prosper or improve its situation unless there is greater progress in the South[7].

The argument falls in two parts, short-term and long-term. The first part, reflected in the Brandt Report, connects aid-giving with the relief of economic recession in the West. The reasoning is simple. Aid increases the international purchasing power of the South. Its purchases expand international trade, and so provide new opportunities for exports in the West. These opportunities create new jobs in the West, and the use of otherwise idle capacity. Cumulative expansion ensures.

Misconceived Argument

This type of argument is misconceived. If it were really possible to cure or ameliorate recession by more Government spending—itself a highly questionable proposition—this could be done more effectively by domestic spending (with consequentional reduction in 'leakages' on the modernisation of industrial plant, on the improvement of communications, and on welfare services. If, however, there are good grounds for Western Governments to hesitate to stimulate their own economies internally, these grounds would remain if the stimulation were to be operated externally by way of transfers of purchasing power to the South.

The long-term argument that aid pays for itself turns on the notion that (to quote the Brandt Report, p 67) the 'South can be said to be an "engine of growth" for the North', that it is 'a new economic frontier' whose opening-up is bound to promote growth and prosperity in the West.

Although this argument is a central condition in a report signed by no fewer than five former heads of State and Prime Ministers, and welcomed by the 1980 Venice summit of Western leaders, it is wholly misconceived. To start with, it rests on the glib but invalid proposition that aid promotes growth in the recipient countries. Further, it is the West, not the South, which is 'the economic frontier' in the world economy. It is the West that has pioneered the major advances which have raised standards of living throughout the world, and from which can be expected further developments of the same kind. Similarly, it is the West which has been and still is the engine of growth for the South, and not the reverse. This is evident in the more pronounced and sustained economic advance achieved
in those less developed countries whi
have the widest range of commerci
contacts with the West.

In this respect contemporary develo
ments repeat historical precedents. Th
more advanced and prosperous econ
mies have always presented opportuniti
for the people of those less advance
economies best able to take advantage
them. And they have, of course, be
the source of ideas, knowledge, skill
enterprise and capital in the developme
of those poorer economies which have t
characteristics favourable to growth.

The Brandt Report itself recognis
these relationships when it observes (p 4
that 'poorest people in the world will r
main for some time to come outside t
reach of formal trade communications'-
that is, cut off from the West. Th
report does not, however, attempt
reconcile this apt observation with i
more general tendency to blame pover
in the South on the supposed dominati
by the West of the international econom
system[8].

Aid Industry Lobby

All this is not to say that certa
groups in the West do not benefit direc
from Western aid. Some interest do i
deed gain, a circumstance which helps
explain the pressures in donor countr
behind the continuation and expansi
of aid. These interest groups include
porters of the types of goods and servi
bought by aid-recipient Governme
whose ability to repay them depends cr
cally on continuing to recieve aid fun
and those engaged in the aid 'indus
as politicians, administrators and expe
These interests constitute a powe
lobby which also draws strength fr
disinterested supporters of aid. The
payers who are required to foot the
for the unrequited transfers are, by c
trast, widely dispersed. Their unease
doubt about these official transfers
largely inchoate and politically unfo
sed. It is interesting that the only g
ral referendum on aid, held in Switzer
in June 1976, heavily defeated a Gov
ment proposal, backed by the churc
universities, schools and the media, f
substantial increase in aid.

Official Western aid must be retho

rastically. In particular, it must be recognised that its contribution to Third World development cannot be significant, and is much more likely to be negative. Expansion of development aid in volume and time will not promote development.[9]

The West can improve material well-being in the Third World by opening further its already large markets for Third World output. It can help most effectively, in other words, by reducing restrictions on trade. The already large Western contribution to the raising of living standards in the Third World could also be greatly expanded if Third World Governments (mostly recipients of official aid) were to remove or reduce restrictions on the inflow of Western personnel, enterprises and capital in the ordinary course of business. These conclusions are evident from the rapid advance over the last 100 years of large parts of the Third World, long before official development aid had been invented—witness the transformation of South East Asia and West Africa under the impact of commercial contacts.

Misguided Advocacy

Other than for the relief of disaster, official aid ought to be terminated. However, early termination is unrealistic in view of the enormous vested interests involved, the momentum of existing commitments and the articulate though misguided advocacy of aid. How can official aid be made less damaging?

Help to the poorest should be left to voluntary non-politicised charities, whose resources could be augmented. if thought desirable, by tax concessions. As for official aid itself, it should be bilateral, not multilateral, so as to retain at least a modicum of control by taxpayers in donor countries. Aid should not be tied, in order to distinguish between subsidies to Western exporters and subsidies to foreign Governments (a course which would reduce some pressure behind aid and also refute Third World allegations that much aid amounts to dumping of surpluses). Aid should be outright donations, not soft loans (which are *de facto* largely grants but parade as loans, are apt to be viewed as burdens by recipients and to engender subsequent ill-will). Finally, the damaging effects of aid should be minimised by drastic revision of the criteria by which aids is allocated. In particular, aid should not go to Governments which pursue policies which patently undermine economic advance and living standards of the people at large. Adherence to this criterion would also be more likely to promote the cause of personal freedom in the recipient countries, and societies and policies more likely to accord with the interests of the West.

Without such changes, foreign aid will continue to disappoint the expectations of its many well-meaning supporters in the West. Worse still, it will help along policies which impoverish people, retard economic progress or even inflict large-scale suffering in the Third World. And it will not help the West.

References

1. Even so staunch a supporter of aid as John P. Lewis has noted that 'aid seldom plays more than a minor, secondary, role in the development promotion effort': and in most cases, aid inflows are a 'comparatively minor' fraction of 'investment and other resources committed domestically.'

2. Where the political survival of a newly-created country is widely doubted, it may not be able to raise capital even if it can use the capital productivity. But these apparent exceptions to the rule that development does not depend upon external aid are plainly irrelevant to the case for global transfers to the South.

3. The restraint which commercial lenders might exercise on borrowing Governments is undermined by expectations of official aid, available for bailing-out improvident Governments.

4. John P. Lewis' op cit, Pp 62 63.

5. Brandt Report, p 244.

6. The Brandt Report (p 39) recounts how the Group of 77 '(with now well over 100 members) were determined to maintain a unified bargaining front' and that this 'profoundly influenced the subsequent course of North-South relations'.

7. Professor Sir Arthur Lewis, writing in 1969, noted that 'nowadays commodity agreements tend to be an international conspiracy against Africa, since it is the expansion of her output which tends to cause much of the trouble'. *Aspects of Tropical Trade, 1883-1965*, Wicksell Lectures, 1969, Stockholm, 1969, p 26.

8. The Brandt Report, in common with simitlar publications, is obsessed with the idea thae behind the prosperity of the West and the incomdifferences between West and South 'lies the fundamental inequality of economic strength' (p 32) and the 'domination' of the international economic system by the West. The idea is evidently insubstantial: the poorest groups in the Third World have no contacts with the West; many Third World countries have achieved large increases in their living standards; the terms of trade between West and South have often for long periods moved against the West; and in no sense can it be said that 'Sweden and Switzerland have become possibly the two richest industrial countries' through 'the exercise of "economic strength"'. This latter quotation is from PD Henderson, 'Survival. Development and the Report of the Brandt Commission', *The World Economy*, vol 3, June 1980, pp 87-117.

9. The Brandt Commission proposes large-scale expansion and indefinite continuation of aid. Its proposals include 'automatic revenue transfers through international levels' *inter alia* on foreign trade. Taxation of international trade would raise prices of Third World imports and reduce returns to Third World producers, thus discouraging economic development.

Source: *Lloyds Bank Review*

ANNOUNCEMENT

From June 1982 *Eastern Economist* will be brought out on every Sunday instead of on Friday as at present. This shift in the day of publication has been made to overcome certain postal difficulties we are facing at present and, in turn, will ensure delivery of the copies covering all major events of the week. Patrons and all concerned are requested to make note of this shift in the publication day of *Eastern Economist*.

CHIEF EXECUTIVE

Economic Analysis

Strategies for Corporate Growth

Dr A. S. Ganguly

ECONOMIC PHILOSOPHIES and policies which today operate around the world can be broadly classified under three categories. First, there is the "Free Market Approach" operating mostly in the western hemisphere which permits individuals to use their resources and skills to back their economic decisions in the market place. In this approach, a nation seeks to harness for its progress the energy and drive of individuals and their yearning for self betterment. The second is the "Socialist or Centralised Method" which propounds complete involvement of the Government in all facets of planning and implementation of economic activities. Inherent in this approach is the lack of accountability because people are not acting on their own and have no moral commitment to ensure success. The fate of economies under this system, as in China or Poland, is there for all to see. The third approach draws from both the aforesaid systems and is commonly described as the "Mixed Economy Approach". In this system, where private initiative and ownership is permitted, it is controlled and regulated less by factors of free market economy and more by Government regulations. Our country has chosen the route of mixed economy with what one may describe as mixed results. Given the set of realities, let us now examine the subject at hand.

Since 1947, economic growth and direction in India have been defined and re-defined from time to time in the form of Five Year Plans as well as Industrial Policy Resolutions, the first one dating back to 1948, and the latest in 1980. The intention that the public sector shall dominate the commanding heights of Indian economy has been accomplished. The various roles for the private sector envisaged from time to time have been often reiterated and pursued at the policy level. In industry itself, financial-resource management and appreciation of inflationary spirals have started to be better understood. We have learnt to live with the bounties and capriciousness of our weather gods and done rather well on the agricultural front, through the well-planned application of science and technology.

Now, if we consider everything that has occurred during the last 34 years, and the conditions that prevail today, as a whole series of constraints, then of course, we ought to have been in a much more retrograde situation. It is nonetheless tempting to speculate that if there were no overwhelming regulatory odds, private enterprise would have flourished much more, added significantly to the national wealth which in turn would have been utilised for meeting the ends of social justice. This hypothetical scenario has been debated ad nauseum.

The fact of the matter is that in organised private industry, a clear pattern has emerged. A section of industry has shown imagination, ability to take risks, demonstrated entrepreneurship and boldness, to successfully grow at a much more rapid rate than many other sections of the business community. In order to permit those who could not keep up with the pace, in spite of controls and restraints, the concept of prevention of concentration of economic power and dominance was evolved. This led to the enactment of the MRTP Act in 1969. It was expected that the energy of the growth leaders could be channelled into the core sector of industry and would also lead to the spread of industry to backward regions of the country. The role of foreign companies was defined under another important landmark act, FERA (1973). A combination of MRTP and FERA was expected to lead to the restructuring of foreign business in this country by directing their activity in the priority sectors and at the same time, curbing the outflow of foreign exchange from the country and enhancing exports.

Based on demand forecasting by the Planning Commission and various development councils, additional capacity has been permitted in different sectors of the industry, but the conversion of the capacity into end product is another matter. This has resulted in many cases, in a situation of shortages, escalating costs and in some instances, further exacerbated by price controls. Due to pressure on investible funds and increasing pressures of social demands, fund availability has progressively become constricted. We are now more worried about industrial sickness and obsolescence and have become aware of our weaknesses with the increasing pressures to export.

But for the slow growth, the employment generated in the private sector could have been much larger. Industry has tended more or less to remain in urban islands, providing a life style to those who are employed in it, different as compared to the rest in the country. Larger numbers are moving into the urban centres, leading to rapid decay, pollution and erosion of basic human needs such as education, health care, potable water supply and hygiene.

Given this scenario, I wish to now deal with the topic at hand, based on the fact that there are several organisations which have grown and prospered in a manner not unlike many others in more advanced countries. However, we must clearly recognise that even the largest private sector organisations in this country are small when compared to industries in the developed world, and now, even as compared to some in the industrially emerging nations. Furthermore, because of the generally depressed state of affairs in the private sector, successes are not widely publicised since success in an environment of low achievement is looked upon with a degree of apprehension. In my limited experience, I have come to believe that the only reason some organisations are able to succeed and grow where others are unable to, under similar set of circumstances, is because of the type of managerial competence and commitment the former possesses.

(a) *Corporate Strategy*: Corporate strategy has unfortunately, but frequently, been mistaken for planning for sales and profit. Ability to take risks has atrophied in businessmen by a protectionist environment for decades. Nevertheless, the imperatives of business are such that this basic managerial reponsibility can no longer be ignored.

The first pre-requisite of a corporate strategy is defining the corporation's objectives. Having defined these, management has to set about achieving them in a planned manner.

Second, the hallmark of successfull management is its ability to face upto the realities of the environment. This in turn, provides a clearer view of constraints and opportunities, both current as well as future, and lays the foundation for strategic planning.

The third important factor is the ability to enumerate the strengths and vulnerabilities of the corporation. This permits the corporation to nurture its strengths and at the same time forces it to plan in areas which are vulnerable.

In doing all these, management has to, of course, appreciate that no plan can stand the test of time successfully unless it is in tune with national priorities, meets certain social objectives, provides a reasonable return to the shareholders and ensures long-term security and prosperity for those who are employed on it. Let us now examine some of the basic factors in a little more detail.

(b) *Continuity & Commitment*: One of the primary requirements in planning is the factor of continuity of those who are charged with the responsibility to lead the organisation. This is essential in reinforcing organisational commitment to its strategy. No organisation can successfully implement a strategic plan which is superimposed upon it. Similarly, even if the management themselves evolve a plan, it can only be implemented successfully if the senior management are in the job for a sufficient length of time and are held accountable for the outcome. Some of the finest management plans are laid waste due to lack of continuity, commitment and accountability. On the other hand, some of the most difficult tasks can be accomplished by committed managerial groups, even under most trying circumstances.

(c) *Environment*: It is necessary for an organisation to clearly lay down its appreciation of the political as well as the economic environment which is likely to prevail for a particular time frame. There are two primary factors which have an overriding influence on every enterprise in a nation. In preparing a macro scenario, therefore, it is extremely important to separate the personal views of corporate leaders from the likely realities, no matter how divergent these two may be. It is also common practice to expose the scenario to debate amongst senior management as well as to sound out opinion leaders not necessarily from within the organisation.

Although economic forecasting tends to be overshadowed sometimes by the political environment being predicted, it is possible and necessary to fine tune it, given historical facts and emerging priorities. Second, since it is from the economic environment forecasting that the corporation's own plans emerge, the degree of exactitude required and demanded is therefore much greater. Indicators such as GDP growth, national income, money supply, balance of trade, per capita consumption growth, population, food production, etc. are some of the key indicators of the pace and opportunities in the environment.

It is sometimes claimed that the learning curve of a business enterprise is the best indicator of the future likely scenario. In other words, the stringent analysis of historical performance of a business against targets and plans is the single most important indicator of (i) the effectiveness of the planning process, and (ii) the strengths and vulnerabilities of the business. This forces the organisation, no matter whatever the environment, to examine whether its methods for preparing for the future are relevant or not. Since most key indicators are likely to be numerical, such as rate of growth, market share, profits, working capital, capital investment, record of innovation there is very little chance of reaching a wrong conclusion. Even when targets are revised and directions altered, since plans by their nature, need flexibility, these need to be clearly documented and quantified to serve as standards for the future.

The growth of a successful existing business in our country not only depends on classical factors such as demand forecast, competitive edge, new technology, R & D etc, but is controlled, in case of large and successful corporations, by the interpretations and implementation of the industrial policy and the MRTP Act, and in case of foreign companies, in addition by FERA and trading limits. Superimposed upon all this in recent times are certain other factors such as export production, regularisation of capacity for certain categories of industries, investment opportunities in the core sector and incentives for investment in selected backward areas to which we will revert in due course.

In planning growth of existing business, in addition to analysing critical external factors, it is equally important to evaluate major internal factors. Some of the more critical factors are organisational structure, manpower planning, business costs, productivity, state of technology, R & D needs and regulatory constraints. I personally feel that in some sense, this exercise is more important than developing new business themes. It is not uncommon for businesses which are passing through troubled times to find solace in planning for diversification and thus circumvent the pressure of the immediate. In most cases, this turns out to be a mistake because the company's resources which should have been utilised to sort out the current problems, get diverted to looking into a different and uncertain future. When such a company turns 'sick', it is rarely understood why and real factors are not analysed.

Such mistakes can also occur in capital investment decisions. In the absence of meaningful R & D support which is the case in most of our industry, and when modernisation is dependent upon the know-how supplier, in a protected and demand-based environment, obsolescence is an incipient phenomenon whose magnitude is not fully understood. Therefore, money, which should be rightly spent on modernisation and improving efficiency of investments already made, tends to get diverted to expansion of obsolete facilities, adding to costs all around.

I believe that the financial component in corporate management has acquired a degree of importance which is not widely appreciated in this country. The word *'inflation'* is bandied about by all and sundry with limited understanding. Its application in industrial finance planning is virtually non-existent. The operation of an enterprise should not result in the erosion of the real substance of a business. In current business practice, it is a tragedy that monitoring and reporting systems do not throw up meaningful signals and what is worse is that reports tend to be misleading about the growth and health of company earnings. The incidence of industrial sickness is a result of failure of systems to indicate the ability of a business to develop and market new products, finance essential investments in new plant and equipment, and at the same time, pay reasonable dividends to shareholders. There are several companies which show profits under historical cost basis, desperately short of liquid resources to finance investments needed for its continued growth. It is high time that inflation is regarded as an element of cost just the same way other items of cost are considered. This will, in turn, reflect in pricing decisions so that the burden is shared by the community at large.

The second aspect which is acquiring ascendency is the availability of funds, given the changing priorities of the banks and financial institutions. This is an aspect of the environment which is widely recognised by all businessmen and entrepreneurs. The financial component of the strategic plan is an evolving entity which will clearly acquire precedence, given the projections on savings, cost of money, availability of funds from retained earnings and funds from banks and financial institutions. The ability to judge the spread between shareholders' funds, public deposits, debentures and other short term borrowing ultimately becomes the backbone of the plan. Once this is clearly understood, providing for inflation proofing automatically emerges as a guiding principle in financial planning.

In the ultimate analysis, all businesses thrive or flounder because of the people who work in it. This includes the Board of Directors, the managerial personnel and the work force. Our environment generates a spectre of limited opportunities, stagnation, low employment, high costs, decreasing purchasing power and erosion of values. It is therefore very tempting to be pessimistic and at best, generate a culture of "grab what you can" and complain to camouflage inefficiency, lack of foresight and ability to take risks. This also leads to intense campaigning to corner larger portions of a shrinking cake. We tend to spend an inordinate proportion of our energies to fight amorphous issues which befoul the environment. Whereas the realities of poor growth rates must be faced, the more important issue at the same time is to seek out opportunities even in a constricted environment. How else can one explain the existence of a growing number of relatively large and successful companies in this country? I would concede that there could have been many more and much larger successful companies if our economic policies so desired.

One of the greatest strengths of Indian business is the presence of a large number of highly competent professional managerial personnel and a work force which can be motivated to perform at a very high level of productivity. However, these are assets which cannot be taken for granted.

Organisational development and planning are vital and important hallmarks of a successful business. The development of successful Indian managers takes place in an environment of constraints and difficulties which are unique to our country. His work ethics, quality and quantity of output, level of commitment, are comparable to the best in the world. It is no wonder that when managers from our country are seconded to overseas companies around the world, their performance is invariably singled out for commendation. Even those who have found our environment depressing and non-rewarding have emigrated around the world and become successful managers in virtually all walks of life.

These character traits are not automatically built into a managerial culture. An organisation is the consequence, basically, of its corporate philosophy and is based on a planning and nurturing process over a long and continuous period of time. It is the ability to clearly visualise the long term by corporate leaders which then leads to systematic organisational and manpower planning and development. It is necessary to develop a culture which promotes unambiguous communication of the corporation's missions and objectives throughout the company, as well as to analyse and synthesise the feedback of ideas and opinions.

This ultimately leads to a desired level of commitment and accountability essential for success. It also provides a scenario of organisational growth in which the individual's role becomes clearer and provides for hopes and aspirations as important motivational tools. In the days when management information systems were not as sophisticated, the concept of shielding the operational part of the business from the vicissitudes of the environmental uncertainties was a prevalent practice. This situation is rapidly changing and the ability of our managers to successfully function in an environment of constraints and uncertainties has also increased commensurately.

Similarly, the standards of education and the levels of aspirations of our work force are such that they constitute a positive advantage today. Here again, we have the choice of politically motivated outside trade union leaders to misinform and misguide them or to structure communication and training systems which would permit the legitimate management function and responsibility to be discharged and commitment of the work force enlisted for the long term benefit of both the employees as well as the organisation. This is an aspect of management which is still evolving in our country. We have tended to use the term "participation" in a manner disproportionate to its utility. Participation cannot suddenly acquire a new meaning. In a professionally managed organisation, every employee is expected to participate and contribute towards his own as well as the orgainsation's future well being. Each one does it in his own role, but there is a need to evolve methodologies which take into consideration the changing times and circumstances. Corporate management have to clearly lay down policies in this matter and ensure that these are implemented and checked through feedback systems.

Modern methods of information gathering and dissemination are developing very rapidly all over the world and it is our responsibility to utilise appropriate technologies to take into confidence and involve all those who are ultimately responsible for the growth and well being of a corporation.

Another area which has acquired a great deal of relevance is the increasing militancy of trade unions, usually instigated by outside elements. Whereas a few years back this was restricted to certain regions and belts, it has progressively spread to much of the country. There are instances when a growth industry has turned unprofitable as a result of this. This cannot be considered legitimate trade union activity, and a rather serious environmental constraint is developing. No industry can survive by continuously giving in to threats and coercion as an alternative to collective bargaining. It is essential for a corporation to make its broad personnel policies known so that there is no room for ambiguity.

The other aspect we must address ourselves to is the increasing incidence of managerial brain-drain. Because of several environmental factors such as slow growth, restricted opportunities and burgeoning cost of livelihood, we are now seeing many bright managers seeking opportunities outside the country. The time and cost required to develop a cadre of good managers is certainly not less, and is possibly more than many other professions which are normally associated with brain-drain. Today, the good Indian manager is as much valued around the world as a good scientist or a doctor. We need to recognise the costs of the increasing instances of migration of managerial talents. Therefore, the imperative for planning growth and diversification strategies is as much for future profitability as it is to attract, develop and retain the best talent in the country, who, after all, are responsible for the success of all plans. I personally believe that this is an aspect of corporate management which needs to be brought under much sharper focus. Today, it is an accepted fact that managerial exchanges take place, not by virute of ownership alone, but mainly through expertise.

There are more Indian managers today working overseas in transnational corporations than expatriates in this country. This is one vital area of development of managerial skills through placements of management staff with potential to acquire skills and expertise in a wider international field and may provide the answer to our quest for reduction of brain drain of managerial talent that is taking place from the country today. As for expertise, since systems, information and technologies are dynamic and keep evolving continuously around the world, a free exchange in these areas is vital to remain uptodate. We cannot afford to suppress the basic element of human nature—the desire to achieve and succeed. No society can succeed by suppressing achievements; on the other hand, if we can give due recognition to those who succeed, this is likely to spur greater numbers and increase the spread effect.

(This is an edited version of the keynote address to the National Convention of Campany Secretaries).

Bumper Profits from Public Sector

PRELIMINARY estimates show that public sector units earned a bumper net profit after taxes of around Rs 450 crores in 1981-82. This follows a long string of losses (which totalled Rs 182 crores in the previous year, 1980-81). During the Emergency, the public did get into the black—it made a net profit of Rs 183 crores. But the latest performance puts in the shade all previous attainments.

In part, the upswing is simply the result of higher administered prices. The price of domestic petroleum was jacked up by around Rs 700 per tonne in June 1981, and this alone has increased the realisations of the ONGC and Oil India by almost Rs 900 crores.

The sharp increases in the prices of coal and steel in early 1981 helped the Steel Authority of India to notch up a profit of Rs 35 crores (from which must be deducted Rs 33 crores, being the loss of Indian Iron). Coal India Ltd, the perennial white elephant of the public sector, made a profit of between Rs 20 crores and Rs 50 crores (estimates vary). The increase in coal and steel prices fetched perhaps Rs 450 crores in a full year.

Higher Capacity Utilisation

But it would be churlish to attribute the public sector's record just to price fixing. For a start, the public sector is as much entitled as the private sector to raise prices when inputs become costlier. It is true that the very sharp rise in petroleum price was not related to input costs, but even the new petroleum price is just 60 per cent of the international price. Besides, public sector profits rose by 300 crores outside the oil sector. Capacity utilisation and output rose sharply in fertilisers, coal, engineering, cement, drugs and chemicals. The improvement in performance was not as marked as the improvement in profits. But it can legitimately be claimed that public sector prices were pitched too low in the past, and the latest profit figure is a better indicator of performance than last year's heavy loss.

Net profits do not give a very clear picture, since some public sector units (like the ONGC and Oil India) pay very stiff taxes on income and others (like Coal India Ltd) pay none at all. The gross profit (after depreciation but before interest and taxes) is a relevant indicator, as a percentage of capital employed. This ratio was 7.54 per cent in 1977-78, 7.69 per cent in 1978-79, 7.60 per cent in 1979-80, and 7.80 per cent in 1980-81. It has leaped up to around 12 per cent i n1981-82. This is far better than the previous record of 9.44 per cent achieved in 1976-77.

Not Good Enough

At first blush it almost looks as though the public sector has caught up with the private sector. Reserve Bank studies of the corporate sector suggest that its profitability is also around 12 per cent. However, the RBI definition of capital employed is different from the public sector definition (the latter deducts current liabilities, the RBI does not). On a comparable basis, the gross profitability of the private sector is something like 16 per cent. It is also worth mentioning that private companies have a strong incentive to use various accounting tricks to understate their profits and hence reduce their tax liability. They also tend to hive off profits to various agencies and ancillary suppliers rather than show them on the main company's books. When the black market rate of interest is 24 per cent, one can take it that private sector profitability (at the margin) must be even higher. Thus a 12 per cent return for the public sector is just not good enough, even if it is a big improvement over its past record. The standard rate of interest for debentures and company deposits is now 15 per cent, and this is also the bank lending rate for a wide variety of activities. The public sector must secure a return higher than this if it is to lay claim to financial soundness.

Inflated Figures

Public sector profits have been inflated by the inclusion of Oil India (which was nationalised last year). Oil India made a gross profit of Rs 190 crores and a net profit of Rs 74 crores—a very tidy return on the price of just Rs 21.56 crores paid last year for acquiring Burmah Oil's half-share in the company. The ONGC made a gross profit of Rs 670 crores and a net profit of Rs 374 crores (against Rs 46 crores last year). These profits were due not just to price hikes but an increase in production of nearly 60 per cent. Production from the Assam oilfields of both companies picked up with the end of the blockade by Assamese agitators. And offshore output from Bombay High rose very substantially.

The profits of Coal India represent a very muddled picture. Central Coalfields made a massive profit of Rs 107 crores, (up from Rs 74 crores) and Western Coalfields registered a surplus of Rs 35 crores (up from Rs 23 crores). But Eastern Coalfields and Bharat Coking Coal continued to make massive losse despite a pick-up in production, and more or less wiped out the surplus of Central Coalfields. As much as 40 pe cent of the coal output of Central Coalfields comes from underground mines, s its success cannot be attributed just t mechanisation (which is in fact easil the highest in Western Coalfields). Th truth is that Central Coalfields is efficiently managed and Eastern Coalfield and Bharat Coking Coal are woefully mismanaged, although the latter do suffer from severe labour problems and the Dhanbad mafia.

The National Textile Corporation, weighed in with a loss of Rs 70 crores despite better capacity utilisation. The NTC suffered along with the private sector on account of adverse market conditions—cotton prices rose sharply while consumer resistance damped demand. Many of the taken-over engineering companies continued to be deep in the red. However, the units under the Department of Heavy Industry taken together halved their net losses, thanks to the good performance of Hindustan Machine Tools and Bharat Heavy Electricals.

The performance of the fertiliser sector continued to be poor. The Fertiliser Corporation of India lost Rs 125 crores, thanks mainly to the dismal performance of its two coal-based plants.

Lame Excuses

Every year the public sector fertiliser plants come out with different excuses, but these are now wearing thin. When private sector fertiliser plants are doing so well, the performance of the public sector is not excusable. Only Rashtriya Chemicals and Fertilisers among the public sector companies is doing well, though its product mix is exceptionally helpful. National Fertilisers Ltd has improved considerably, and if its Sindri unit can measure up to those at Bhatinda and Panipat, this company could become a money spinner.

The number of profit-making companies in the public sector has long been around 70 per cent, and this continues. The overall losses in the past were due mainly to Coal India Ltd, the National Textile Corporation, and the fertiliser sector. Coal India Ltd has now recovered sharply, while the petroleum producing companies have boosted their profits. Some of the top heavy engineering companies (like HMT and BHEL) are doing well, and the Steel Authority of India Ltd has put in a vastly improved performance.

The improvement of infrastructure in 1981-82 led to a boom in industrial production, and this is as true of the public sector as the private sector.

Yawning Trade Gap

THE YAWNING gap in our foreign trade is causing concern. Although considerable effort has been made to increase the country's exports which have reached a figure of Rs 5,965 crores during the ten months between April and January this year showing a rise of nearly 14 per cent over the same period of the previous year, the net trade deficit at Rs 4,520 crores is substantially higher than the corresponding figure of Rs 4,020 crores in respect of the previous year. This has been the case although imports have been contained to some extent and reveal a marginal decline in terms of growth rate. The fact, however, is that imports at Rs 10,486 crores pose a serious challenge to the Ministry of Commerce.

At a recent meeting of the Parliamentary Consultative Committee attached to the Ministry of Commerce, Mr Shivraj V. Patil stated that the Government planned a 15 to 20 per cent increase in its exports during 1982-83 despite a bleak trading environment in the international markets. The Minister said he expected exports to pick up following an improvement in the economy, infrastructure facilities and various export promotion measures taken by the Government till now.

Increasing emphasis was being laid on the export of more value added items and high priced items such as gems and jewellery. Efforts were also being made to promote exports of agricultural commodities such as basmati rice, fruits and vegetables and cut flowers. Domestic production was being geared to substitute imports of fertilisers, metals and edible oils in order to reduce the imports.

The Minister indicated that the necessary import and export policy has been formulated in the context of the productivity year and with a view to boosting the exports to narrow down the trade gap. Under this policy the industrial units will have easy access to vital imported inputs. Special provision has been made to enable exporters to secure their inputs and required machinery and technology. He hoped that the actual users would not misuse the liberalised policy.

The Committee unanimously held that the fiscal approach was not the only remedy for raising exports of plantation crops and as such this should be blended with the increase in productivity and managerial efficiency. Some members of Parliament suggested that the Government should permit the export of groundnut and seeds in order to finance the import of edible oils. They also suggested that the Government should enter into trade agreements with neighbouring countries so as to avoid the possibilities of cut throat competition.

In respect of tea, the members expressed the view that productivity should be raised to facilitate increased foreign exchange realisation. In the case of coffee, it was suggested that domestic market should also be devoloped. A portion of Rs 40 crores worth export duty earnings from this should be earmarked to the Coffee Board for development purposes. In the case of cardamom, Mr Patil announced the decision of the cabinet to constitute a cardamom board with its headquarters in Karnataka.

Complex Complicated

THE PETROLEUM Minister, Mr Shiv Shankar's statement in Lok Sabha on March 30 that the Central Government had made no allocation for the Haldia petro-chemical complex in the Sixth Plan has caused regret and resentment in West Bengal. The Minister denied that the Centre was indifferent to this project and that it was only worried about the availability of adequate resources. He said that a licence would be issued if the State Government could mobilise the necessary funds, West Bengal had proposed that the project should be taken up in the joint sector with forty per cent of the equity to be invested each by the Centre and the State Governments and the remaining twenty per cent by the financial institutions. Mr Shiv Shankar told Lok Sabha that the project was "undoubtedly worth pursuing" but it would not be possible for the Centre to agree to it on the terms suggested by the State Government.

In a letter addressed to the Prime Minister, Mrs Gandhi, and released to the press on April 20, Mr Joyti Basu urged her to reconsider the Centre's decision. He said that the State Government had entered into detailed discussions with the Centre on various issues relating to the project such as the product pattern and the choice of technology and that the Union Ministry of Petroleum had also satisfied itself with its soundness from the technical angle. The Chief Minister revealed that the State Government had already acquired land and developed the infrastructure and spent over Rs 5 crores so far. He pointed out that the State Government would not be able to implement it without the Centre's active participation.

R. J. Venkateswaran writes from Calcutta

It seems that both the State Government and the Centre have not been showing a sense of seriousness in this project from the very beginning. Mr Jyoti Basu would not have been taken unawares of the Centre's decision if the State Government had maintained close liaison with the Planning Commission and the Ministries concerned, and kept ifself fully informed of New Delhi's thinking on this subject. But the Chief Minister and the Finance Minister, Dr Ashok Mitra, have been concentrating so much of their attention on the IMF loan and other issues which are irrelevant to West Bengal's development with the result that they were kept in the dark when the Centre was taking decisions which are of crucial importance to the State's economy.

That the Centre has not been playing fair will be clear from Mr Shiv Shankar's statement in Lok Sabha. He revealed that in 1977 a letter of intent had been issued to the West Bengal Government for the complex with ethylene capacity of 54,000 tonnes per annum. In May 1980, the letter was amended by increasing the capacity to 100,000 tonnes per annum on the basis of a detailed project report submitted by the State's Industrial Development Corporation. The Minister added that the project was scrutinised at the Central level and the estimate was raised from Rs 428 crores to Rs 660-690 crores to make it viable. But what sort of scrutiny was this which did not take into consideration the ability of the State Government to find the necessary resources for the project? Or, was it that the Centre was willing to provide its share of finance but subsequently it backed out?

Positive Thinking

If the Government of India now finds it not possible to finance it as a joint sector project it should examine in what other ways it can help to bring it into existence. It will also be desirable to find out whether certain modifications cannot be made at this stage so as to make the project less costly. The Centre and the State Government should have another look at its financial and technical aspects and try to implement it without delay. It is true that the Centre is facing constraint on resources but this can be no justification for saying at this stage that it will have nothing to do with this scheme. The occasion demands some positive thinking on the part of New Delhi so that it may not be necessary to abandon it because of the State Government's inability to raise the necessary finance.

It seems likely that the Centre's decision has been influenced by political factors. Hardly a week passes without some prominent Left Front leader accusing Mrs Gandhi of being "authoritarian" and "anti-democratic". Mr Basu and Dr Ashok Mitra have been saying that the country's economy is being "ruined" by Mrs Gandhi's policies. The Prime Minister, however, should rise about partisan considerations and decide issues relating to West Bengal from the point of view of their impact on the welfare of the people. The petro-chemical complex will benefit not merely West Bengal but the entire eastern region. The Centre should, therefore, review its decision.

Power Pundits Meet

THE WORKSHOP on "power perspective in the eastern region", held in Calcutta on April 17 under the auspices of the Indian Chamber of Commerce, served a useful purpose in focussing attention on some major aspects of this problem. The participants included Dr Manmohan Singh, Member-Secretary of the Planning Commission, Mr P.C. Luthar, Chairman of the D.V.C., Mr N.C. Basu, Chairman of the West Bengal Electricity Board, representatives of the Calcutta Electric Supply Corporation, Eastern Regional Electricity Board, Power Department of the State Government, and leading industrialists. The causes and consequences of the power shortage in the eastern region have been well known for a long time. Even so, it was worthwhile for the "pundits of power generation", as one participant described them, to come together and discuss certain issues.

The Chairman of the Chamber's Power Committee, Mr G.K. Bhagat, recalled that for several years after independence, the city of Calcutta, which at that time had the biggest industrial base in the country, had the finest record with regard to power. He said that "as youngsters we felt sometimes bored to see that there was no such excitement as power failure which would have meant an excuse from home-work". He expressed concern at the "tremendous power shortage" particularly in Calcutta which had been persisting for nearly 10 years and he wondered how consumers of various categories were patiently facing this situation. The election to the Assembly will give some idea of how the citizens react to the power crisis. But it was clear from the trend of proceed-in the workshop that, whichever party or combination of parties comes into office, there is unlikely to be any relief in the near future either to industry or the domestic consumer from the acute shortage of power.

Dr Manmohan Singh expressed the hope that the workshop's deliberation would constitute "an important input for improving both the process of plan formulation and project implementation for the power sector in the entire eastern region". He said that in planning for the power sector simultaneous attention should be given to the creation of new capacity and effective utilisation of the capacity already created.

Increased Generation

In the eastern region, the generating capacity is estimated to increase from 4860 MW at the beginning of the Sixth Plan to 8183 MW at the end of 1984-85. He revealed that, according to the Planning Commission's assessment, "given vigorous efforts at project implementation, serious shortfalls in capacity creation can still be avoided in the eastern region". But there seems to be little likelihood of such energetic action being taken by the authorities concerned.

Dr Singh said that the situation was "particularly serious in the eastern region". He added that "an extremely low load plant factor, high establishment costs, inflated fuel consumption levels, rising level of arrears and inventories, and the mounting commercial losses of State Electricity Boards of this region are a cause for serious concern". He remarked that unless "timely measures were adopted to deal with these problems, serious power shortages would continue to persist". But what did Dr Singh mean by "timely measures"? How is it that the State Governments concerned have remained utterly callous when acute scarcity of power has been not only causing intense hardship to citizens but is also having adverse repurcussions on various aspects of the economy? It was revealed at the workshop that West Bengal was losing industrial production of the order of Rs 1500 crores per year due to the power shortage. The Left Front Government has been vehemently criticising the Centre for not providing it with adequate resources for development. But does the State Government realise how much revenue it has been losing every year because of its failure to step up generation and implement expeditiously the various power schemes?

The President of the Chamber, Mr P.K. Kanoria, said that when the all-India power shortage was 12.6 per cent in 1980-81, it was 24.8 per cent in the eastern region. In the next year the all-India deficit declined to 10.2 per cent but the shortage in the eastern region was about 17 per cent. Mr Kanoria remarked that in West Bengal alone, the deficit was expected to reach 1200 MW by the end of the present decade and he wondered how industrial growth could take place in this region with such outlook for power.

There was a consensus at the workshop that the private sector should be permitted to set up power plants and several specific suggestions were made to make it possible for it to undertake the massive investment required for this venture. The Government of India should examine to what extent this proposal is feasible in the context of the general shortage of resources in the country and the existence of substantial unutilised capacity in the public sector. In any case, the time has come to shed complacency and to show more seriousness in tackling this problem in order to reduce regional disparities and speed up the country's economic growth.

Get-together in Jute

THE JUTE talks between India and Bangladesh, held in Dacca from April 14 to 16, are reported to have proved useful for facilitating the finalisation of the International Jute Agreement and the formation of the International Jute Organisation. A three-member delegation from India, led by Mr A.K. Dutt, Secretary, Department of Textiles, participated in the discussions. The representatives of the two countries reviewed the recent trends in the trade in jute goods and voiced their concern over the increasing competition from the synthetics. They reiterated their demand that the United Nations Conference for Trade and Development and the Economic and Social Commission for Asia and the Pacific should expedite measures for concluding the international agreement so that it would help to promote research and development in jute and reduce the cost of production. Further talks on this subject are going to be held in Bankok from May 18 to 20, in which representatives of the other jute producing countries like Thailand, Nepal, Burma, Brazil, and China are expected to participate.

Effective Cooperation

The move for effective cooperation among the jute producers of the world has been going on for the past many years but little progress has been made so far in taking concrete steps for achieving this objective. Meanwhile, the jute industries of Bangladesh and India have been passing through a difficult phase. The Bangladesh Jute Mills Corporation earned a profit of Taka 1.2 billion in 1979-80 but it declined to Taka 400 million in 1980-81. The jute industry in India is estimated to have incurred a loss of about Rs 120 crores in 1981-82 due to uneconomic working. The export of jute goods from India is estimated to have declined to 400,000 tonnes valued at Rs 240 crores in 1981-82 from 439,000 tonnes worth Rs 326 crores in 1980-81. The recession in the USA and the competition from synthetics have been the major causes for the set-back in exports. Detailed statistics are not available about the export performance in 1981-82. But it is significant that while the export of hessian increased from 265,200 tonnes in 1974-75 to 289,600 tonnes in 1980-81, the export of sacking fell from 130,400 tonnes to 44,200 tonnes, carpet backing from 119,800 tonnes to 60,100 tonnes, and other jute goods from 67,800 tonnes to 46,000 tonnes.

But India can derive full benefit from the International Jute Organisation, only if the industry sets its house in order and the Government creates such conditions as will enable it to face the future with confidence. How will the proposed Jute Organisation help the industry to reduce the costs of production? Trade unions have not been cooperating in implementing schemes of modernisation and rationalisation on the ground that they will result in higher work-load and fewer jobs. Eight central trade unions have announced their intention to go on an indefinite strike from June 14 this year to press their demands. The persistent power shortage has also pushed up the costs of production. The industry is estimated to have invested about Rs 45 crores in installing captive generating sets. Moreover, the industry has been accused of neglecting research and development. It is stated that even in the years of good profits, the mills frittered away the funds instead of ploughing them back for modernising their machinery.

Spectacular Increase

The internal consumption of jute goods in India has shown a spectacular increase from 519,700 tonnes in 1970-71 to 918,400 tonnes in 1980-81. In the coming months it is expected to show further improvement due to the higher production of foodgrains, cement, sugar and other commodities. Will this trend discourage the industry from intensifying its efforts to promote exports? The National Jute Manufacturers' Corporation is reported to have decided to reduce its installed production capacity for jute carpet backing cloth under its modernisation programme. At present 30 per cent of its capacity is used for carpet backing and it is proposed to bring it down to about 10 per cent. This is considered necessary in view of the declining demand for carpet backing cloth. Has this decision been taken after a careful study of all the relevant factors or just because of the drop in demand due to the recession?

Even if the International Jute Organisation takes time to come into existence, the industry in India and Bangladesh can do a great deal between themselves to evolve a common strategy to face the challenge from synthetics. But this will be possible only if there is a regular exchange of information about all aspects of the industry and Dacca and Delhi have full confidence in each other.

Workshop on Energy Conservation

THE ICICI took the initiative in organising a workshop in Bombay on energy conservation relating to paper and cement industries last year (see *Eastern Economist*, June 5, 1981). Encouraged by the response it evoked a similar workshop covering caustic soda, soda ash, aluminium, ferro alloys and electric arc furnace steel industries was conducted in April this year since energy constitutes a very significant element in the manufacturing cost of these industries. By the same token adequate availability of power on a regular basis is crucial to their operations.

As a background paper circulated at the workshop points out there is a twofold implication of the high energy coefficient in respect of these industries. First, the predominance of energy in their manufacturing costs would imply that benefits from measures to conserve energy and to improve efficiency in its utilisation are likely to be substantial and quick. Second, the critical role of energy in determining viability of operations of these industries is likely to motivate them more strongly than other industries for taking steps aimed at energy conservation and its efficient utilisation.

Accentuated Problem

The problem of power has accentuated due to several reasons. For one thing though most of the units in these industries were located in regions where adequate power supply was assured, the demand for power from public utilities has outpaced supply with rapid industrialisation. The State Governments on their part with a view to attracting industries in their backward regions have assured much larger connected loads than their public utilities could possibly cope with. Second, it is common knowledge that in successive Plans there have been sizeable shortfalls in the targets set for additional power generation capacity. Finally, it must also be mentioned that the operational efficiency in the electricity generation industry has been steadily declining even while transmission losses have increased.

Faced with this situation, industries in which power constitutes a relatively smaller proportion of cost have sought to resolve the problem by setting up captive diesel power generation capacity. But Mr Siddharth S. Mehta, Chairman ICICI who welcomed the participants at the workshop ruled it out as the real solution for the industries concerned because of its high cost. Instead he commended the efforts being made for exploring and investing in cogeneration of steam and power and suggested that power-intensive industries should consider joint ownership of power plants. This deserves careful examination since the pattern and the quantum of demand on the one hand and the economic cost of production on the other may not justify investment in thermal generation capacity by an individual unit.

T.T. Vijayaraghavan writes from Bombay

The workshop underlined that though energy conservation through better housekeeping and other short-term measures is important attention has to be focussed in three areas: (1) Investment in new power generation and distribution; (2) better management of public utilities supplying power; and (3) technological improvements with a focus on saving of energy. The setting up of new capacity in the power sector and efficient operation of existing capacity of public utilities is, however, outside the control of user industries. The management and organisation required to evolve a desired response through technical improvement would obviously call for a coordinated and collective approach of several units if it is to have any impact instead of being a unit-based one. Here one has to take into account the possible need for import of technology besides an active role for technical consultancy.

While an improvement in the supply of power is important, equally important is efficient utilisation of energy. The background paper points out that while most of the units surveyed showed an awareness of the problem, only a few have undertaken specific steps aimed at reduction in energy use through systematic management. At the plant level, some of the essential requirements for ensuring efficient utilisation of energy are: (1) commitment of top management; (2) constitution of a multi-disciplinary monitoring and planning cell comprising personnel from the production, procurement, cost accounting and energy departments in addition to a member of the top management team; and (3) evolving detailed information systems and key indicators and in-house dissemination of the information. In most of the units a separate cell does not exist for monitoring and controlling energy consumption. The first task is to identify the areas for energy conservation. The next step is to set up the priorities. The quantum of energy likely to be conserved in each one of these areas would have to be assessed together with the cost of implementation of energy conservation in these areas. It is thus obvious that there has to be a continuous commitment to energy conservation at all levels of corporate activity from the stage of determining project feasibility to stages of commercial operations.

Dr K.R. Pandit, Deputy General Manager of Tata Electric Companies, in his paper reviewing the prospects and problems of electricity generation and distribution in the 1980's stressed the need for intra-industry, industry-Government and industry-power utility cooperation which would enable more effective power shortage management and long range investments in joint ownership of captive power plants. He also drew attention to the need for expediting decisions with regard to investment in this sector since the cost of delay in decision-making in terms of lost production is staggering. For instance delay in decision with respect to a 500 MW power project could cost the economy as much as rupees one crore in lost production per day.

The papers dealing with different aspects of energy conservation in the caustic soda industry prepared by K.T. Thampi and I. Dayasagar, D.M. Trivedi, R.V. Hamani and J.B. Sharma indicated the steps already taken by some of the units, as for instance adoption of energy efficient mercury process vis-a-vis diaphragm process. It was stated that a changeover from graphite to titanium anodes could result in 10 per cent saving of energy.

The scope for energy conservation in the metal-based power intensive industries was examined by S.R. Pramanik, M. Behari, P.K. Bose, M.K. Misra, Dr M.S. Thakar, K. Ramachandran, C.N. Harman and M. Subramaniam, Their papers indicated energy saving attained through the use of improved technology and equipment design in the production of alumina and in smelters. The ICICI workshop helped in disseminating useful information and provided knowledge to the units concerned as to how to go about tackling energy conservation.

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Window on the World

US Economy 'Dead in the Water'

V. Balasubramanian

NOW WE have it straight from the horse's mouth without any wheezing or whinnying. Treasury Secretery Donald Reagan has let out a secret which, however, may not exactly be news to many Americans. The economy, he says, "is dead in the water". Appearing on an early morning TV network programme, when and where even politicians are often inspired to utter words of candour, probably because of a belief that viewers would still be too sleepy to be attentive, the President's chief aide for economic policy offered the following analysis :

"The budget deficits written into the president's tax cuts and defence increases are thought to be causing high rates of interest. These interest rates have brought the economy right to its knees. We're in a very steep recession at this point and the economy is dead in the water. It's not going anywhere. It's not going down much. It's not going up any. It's just dead and something has to move it to drive it."

Proceeding, the Treasury Secretary argues that this driving force must come from Congress through cooperation with the President in further reducing spending. What he does not say is that the difficulty is not disagreement over cutting spending, but sharply differing perceptions of what to cut. The administration is gunning for entitlement programmes, including social security benefits. Congress, cutting across party labels, has come out in substantial support of trimming the increases in Defence spending to which Ronald Reagan has committed his presidency and its prestige. Some time ago, I remarked in these columns that the Reagan "revolution" has begun devouring its children. The cannibalism progresses. Having breakfasted on a pledge to balance the budget—now, hold your breath—by fiscal 1983, it is now about to lunch on the supply-siders.

Not that their high priest, Republican Congressman Jack Kemp, is not continuing to exert his enormous influence with the President to persuade him to stay, converted. Nor is it the case that Reagan himself is losing any of his very personal faith in the economic validity, political value or moral worth of the three-year, across-the-board incometax-cut programme. What is a new development is that the President's men, who have to sell his fiscal 1982 budget package to Congress, are finding it increasingly difficult to ward off demands for compromises. They are not being helped by the widespread view in the business and financial communities that too much tax revenue is being surrendered too fast in circumstances in whichlooming budget deficits are the main threat to public confidence in the administration's economic recovery programme.

Small Talk from Washington

Already the Republican leadership in Congress has indicated a willingness to placate the opposition by offering to advise the President to consider a four per cent surcharge on tax rates on incomes around $40,000 and above. Democratic leaders, such as Edward Kennedy, however, have spurned this offering as of no moment and are urging the plugging of tax loopholes exploited by corporate taxpayers, or tax shelters taken advantage of all affluent assessees, as far more significant revenue-raising measures. To this the President's almost routine rejoinder is that he has become President of the United States to reduce the tax burden on all Amricans, not to increase it in any form. However, since the more insistent critics of his tax-cut programme are setting the price for a compromise as high as the postponement of the 10 per cent reduction scheduled for July 1983, which is the third and final instalment of that programme, the pressure on him to dilute his practice of supply-side philosophy will have to be accommodated to a considerable extent.

Meanwhile, on its way from breakfast to lunch, the Reagan revolution has been nibbling at monetarism, as even the Treasury Secretary, partly because of his Wall Street background, is becoming uncomfortable in the context of presistent demands from financial institutions and board rooms that the Fed should be directed to pay more attention to the need for bringing down interest rates. With Fed Chairman Volcker, declining to place on monetary policy any of the burdens which he feels fiscal policy should properly bear, the Reagan administration will have to renounce openly some part of its monetarist convictions before it could stage a credible confrontation with the Fed on the issue of money supply management. The President's favourite economist, Milton Friedman, is naturally exerting all of his great authority to keep him to the straight and narrow. Even so, the Treasury Secretary has been making it clear to the Fed that with the inflation rate on the decline, the chief concern now is with interest rates.

As the clock moves towards tea-time, some more or less substantial departures from the strict monetarist faith may be expected and, quite possibly, besieged industries, such as construction and automobiles or credit-starved consumers, such as home-buyers, may be offered less xpensive financing in time for the ongressional elections this year. Whether, ventually, the Reagan revolution will ave to dine off the Defence build-up efore calling it a day, is a question which ay be settled not by the trade offs in he budget bargaining between the adinistration and Congress. The growing rass-roots movement in the nation for halt to the nuclear arms race could lso make its powerful political input. ronically enough, should the President ield after all on the growth in the efence budget, which he himself consi- ers a key element in his total policy, it ay prove to be the saving of the best arts of his economic recovery pro- ramme. Supply-side deserves a run for s money, without the Pentagon jugger- aut coming in the way.

Argentinian Economy Hit by Falklands Crisis

When Argentina invaded the Falklands her economy was already in serious difficulties. Policies operated by successive military leaders since 1976 have had mixed results and the performance of the economy since 1981 rapidly deteriorated. The export trade was improving, partly thanks to major devaluations and increased exports to the Soviet Union which took well over half of most major items. However, industry was in recession, unemployment was rising and the rate of inflation had moved up from its 1980 figure of 87 per cent to 131 per cent by the end of the year.

In December 1981 General Galtieri took over as President. His Economic Minister, Dr Alemann, instituted measures to cut Government spending, reduce inflation and stimulate exports. On February 3 this year, the Junta announced that military spending would be cut by 30 per cent. By this time, however, there was growing public discontent at the state of the economy and Alemann's austerity programme. This led to large demonstrations in Buenos Aires, Mendoza and Mar Del Plata on March 30. A wish to divert public attention from these internal problems may well have influenced the Junta's decision to invade the Falkland Islands.

The Argentine external debt is about US dollars 34 billion and the continuing confidence of overseas bankers is necessary to finance it. Following the invasion on April 2 of the Falklands, the British Government froze Argentine assets, worth about US $1.4 billion (about one-third of the country's foreign currency reserves) held in UK banks and put an embargo on any further loans from UK banks to Argentina. New export credits were vetoed. Argentina has borrowed US $5.8 billion from London banks. Of Agrentina's current total external debt, US $20 billion is owed by its public sector. Alemann has said that more than half of this has been raised from banks in London. National Westminster has withdrawn the sum of between US $15 million and US $ 20 million it had committed to a US $ 200 million loan being syndicated among banks for Segma, the Buenos Aires Electricity Utility.

The loan for US $ 250 million for Gas Del Estado, the State gas company, which was syndicated among Dutch banks and with which Lloyds Bank were involved, is now on ice. London banks have arranged a loan of US $ 450 million to pay the State oil company : US $200 million has gone to Argentina but the remainder cannot be drawn.

All EC member States have banned imports from Argentina with effect from April 16 and for an initial and renewable period of one month. EC nations are among Argentina's leading trading partners and in 1980 accounted for 28 per cent of Argentina's exports. Similar action has been taken by Canada, Australia, New Zealand and Norway.

On April 22 the Argentine Central Bank liquidated the country's largest finance company Rio Parana following a run on its deposits.

Agrentina's plans for economic recovery are now seriously undermined, and there is plenty of evidence of a lack of domestic and international confidence in the future. It is unlikely that public sector expenditure can be reduced as planned and military spending is certain to rise as a result of the invasion. Her military adventure is likely to result in serious long-term damage to her already weak economy.

Nice Feeling

With so much to disagree with in Congressional perceptions of its policies, he White House has every reason to ave a nice feeling about one area of greement, which is the management of nternational trade. Americans sincerely elieve that they have not only been eaders in the global movement towards n open trading system, but also that hey are currently the most faithful otaries of the principle in a dwindling ompany of adherents. They are also ersuaded that this business of trade beralisation is becoming a one-way treet to their disadvantage since other ountries are yielding to the temptation f practising protectionism in one or nore of its many forms, overt or covert. hey are greatly aggrieved by EEC farm upport policies which they hold to be a ross interference with normal export pportunities for American farmers.

Their complaints against Japan have tely become even more vocal and ggressive as they find their stalled utomobile or many branches of elec- onic industries hit hard by Japanese nports. Again, since American enterprise nd capital are shifting to high-techno- ogy industries, particularly through the itiative of small firms, they are afraid nat their country will be robbed of ne fruits of this dynamism if Japanese ivals in these areas were to manage to ominate business in the US, while denying access to the Japanese market to American manufacturers through non-tariff barriers which, in their view, are already excluding a wide range of American goods from that market. Holding Japanese protectionism to be the main cause of the large and growing US trade deficit with that country, they are now demanding that Japan open up its market to as many as 22 farm products, ranging from beef to tobacco and manufactures going all the way from baseball bats to X-rated home movies.

Prompted and propelled by this national mood, both Congress and administration are pressuring the Japanese Government for two kinds of response. One of them is observing "voluntary restraint" in exporting sensitive products to the US. A ceiling on the shipment of Japanese cars to the US market became operative last year by agreement. It will continue for the current year at the same level, the Japanese having consented to give up their demand for a higher ceiling. Recently, Tokyo has also reconciled itself most reluctantly to give up aggressive marketing strategies for promoting Japanese semi-conductor chips in the US market. They have concluded apparently, that it will be prudent to avoid a high visibility in such areas of their exports to the US.

The second kind of response, namly more open market across, which the Americans are insisting on is seen by the Japanese to pose more serious difficulties. They, in fact, consider the US demand for throwing open their market to a whole range of farm products as very unreasonable because of its gross indifference, as they see it, to the need of Japan to sustain its farm economy and farming communities. They argue that the kind of economic and social change which such a trade policy would force upon Japan cannot be undertaken without a political consensus that is simply not available at present. Not later than next month, the Japanese Government, however, will still have to make major concessions to the US demand for the removal of non-tariff barriers on tangible goods and liberalise the conditions that govern the trade in services, or regulate US investments in Japanese industry or commerce.

While concentrating on this objective, the Reagan administration's chief trade negotiator, Bill Brock, is also trying to put together a common front of the main agricultural exporters for working at the November session of GATT for stricter codes on farm products. Recently, he had been to Argentina, Peru and Brazil to discuss proposals for such united action. He is also planning to bring Canada into this concert and Australia and New Zeland as well. Several developing countries in Asia and Africa and, in fact every country with farm surpluses for export, are considered by the US to be sharing a common interest in opening up markets in Western Europe and Japan.

Rich Subsidy

The US has always had a strong interest in working for a large and expanding world trade in agricultural commodities, although it has found no difficulty in operating simultaneously what is probably the world's most extensive and richly endowed farm price subsidy or income support system. In the case of this administration, this impulse seems to be stronger than ever before.

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A Tale of Nixon, Kissinger and Haig

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While this gloom astonishes many of Britain's overseas friends, who admit to envy of the oil resources while admiring the technological skills which have gone into exploiting them, the theory appeared to gain empirical "proof" in the period from 1979 to mid-1981 when sterling appreciated by 27 per cent, while manufacturing output in Britain fell by 14 per cent. At least one respected group of academic economists has taken the theory so seriously that it proposes a "siege economy" for Britain, with an appropriate apparatus of import and exchange controls.

Effect of Oil Prices

Market forces have, of course, largely eliminated the problems of an over-valued currency, producing a fall of over a quarter in the peak value of sterling against the dollar, but proponents of the industrial decline theory maintain that this is largely a result of a decline in world oil prices which will not persist indefinitely.

Both the Treasury, in its paper on North Sea oil and structural adjustment, and the Bank of England in its March *Quarterly Review* take a factual look at what has happened in the British economy during the last few years, and both conclude that the decline theory exaggerates the adverse effects of North Sea oil. The Treasury concludes that only about half of the rise of sterling in 1979-80 can be attributed to the effects of oil revenues, while the Bank of England attributes the stagnation of the non-oil sectors of industry since the early 1970s to the rise in real energy costs during the period. At constant prices, it calculates that the real resources cost of North Sea oil in 1980 was £35 per tonne, compared with importing oil at £23 per tonne in 1973.

One of the most important effects of UK oil production has been its impact on the balance of payments which the Bank estimates at £11 billion in 1981. Without the oil, Britain would not have achieved a record current account surplus of £8 billion in 1981 but would have had to wrestle with the problems of a £3 billion deficit.

According to Central Statistical Office figures, the whole £8 billion surplus was invested overseas last year, evenly divided between direct and portfolio investment. To secure investment income from overseas is, of course, one answer to the problem of what happens when the oil eventually runs out. It does not, however, directly create employment in Britain, and the trade unions are strong critics of the high level of British overseas investment.

It is reasonable to suppose that capital would be retained in Britain if it earned as much as investment abroad, and it is here that Government policies to shift national income from consumption to industrial investment and to restrain industry's costs to internationally competitive levels are crucially important.

Looking ahead, the Treasury accepts that investment in increased North Sea oil production may "crowd out" some manufacturing investment. However, if real oil prices rise on a long-term basis, competing nations without their own oil will face an equal or greater handicap in having to make larger investments in manufacturing in the attempt to offset higher energy import costs.

These two effects should broadly cancel each other out in Britain, the Treasury suggests, and although there may be some spill-over effects on the exchange rate they should not be large enough to cause serious problems for British manufacturing industry. Meanwhile, increasing success in moderating inflation and improving competitiveness is already immeasurably improving industry's long-term prospects.

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Point of View

Surplus Land Distribution and Its Benefits

P. T. George

Though the revised ceiling laws were effectively operative since the mid-Seventies, against an anticipated surplus of 52.30 lakh acres, only 40.85 lakh acres were declared surplus, of which only 26.86 lakh acres were taken possession of as at the end of 1981. Out of this about 18 lakh acres were partially distributed resulting in a per capita distribution of 1.38 acres of land. Here the author, who is Director (Economics), National Institute ot Rural Development, Hyderabad, is focusing attention on the plus and minus points of the land redistribution, as brought out by a study made by his institute for the Government of India in the four States of Karnataka, Uttar Pradesh, Bihar and Haryana.

By 1977, as a result of continuous efforts, substantial progress was achieved in the mopping up and distribution of surplus land. The revised ceiling laws became operative, practically in all the States, by 1975 and by the end of 1977 the progress reported by the Ministry showed that out of 13,98,895 returns filed by landowners 12,24,565 were scrutinised and surplus land identified, which meant that 87.5 per cent of the cases were "disposed of". As a result, 41.54 lakh acres were declared surplus, of which 22.02 lakh acres were taken possession of, and 13.58 lakh acres were distributed among 9.28 lakh beneficiaries. This was the position as reported at the end of 1977.

The latest data, depicting the position at the end of 1981, from the Ministry of Rural Development reveal that as against the anticipated surplus of 52.30 lakh acres of land, an extent of 40.85 lakh acres was declared surplus which amounts to 78.1 per cent of the expected extent. The decline in the area declared surplus in the latest report could be attributed to subsequent legal proceedings resorted to by landowners, on a large scale in some States. Though over 40 lakh acres of land was declared surplus, only 26.86 lakh acres were taken possession of by the end of 1981, which amounted to 65.9 per cent of the area declared. Only 86.7 per cent of the area taken possession of, i.e., 18.46 lakh acres, was distributed by the end of 1981, which amounted, only to 45.2 per cent of the area declared surplus. The total number of beneficiaries from the distribution of over 18 lakh acres was 13.37 lakhs, resulting in a per capita distribution of 1.38 acres of land. Among the beneficiaries 41.6 per cent were members of scheduled castes, 12,6 per cent were members of the scheduled tribes and 48.6 per cent were members of other communities. The per capita land distributed to the scheduled caste beneficiaries worked out to 1.23 acres, that of the scheduled tribes to 1.5 acres and that of the others to 1.5 acres.

Lame Excuses

While the gap between the estimated surplus area and the area actually declared as surplus could be easily explained, one is hard put to explain the gap between the area declared surplus and that was taken possession of. In other words, 34.1 per cent of the area declared surplus, that was yet to be taken over, is not available for distribution. It is much more difficult to understand as to why 31.3 per cent of the land taken possession of still remains undistributed. The usual reasons given in explanation of this gap include legal constraints, unusable nature of the land, and laxity in the process of distribution. Considerable land is under restraint from court of law, on one ground or the other, in spite of the protection under ninth schedule. The freedom given to the landowner to surrender as surplus the land of his choice inevitably resulted in the mopping up of some really poor quality land.

Often times it is said that the surplus land distributed to the beneficiaries is either alienated or not put to effective use. Very little empirical evidence is available about the actual utilisation of the surplus land distributed and taken possession of by the beneficiaries. To investigate into this aspect a study was carried out by the National Institute of Rural Development in 1981 at the instance of the Ministry of Rural Development, Government of India. Some very interesting findings that emerged from that study deserve to be taken note of by policy-makers, administrators and researchers.

A Comparative Picture

The study on the utilisation of surplus land by the beneficiaries was undertaken in four States, viz., Karnataka, Uttar Pradesh, Bihar and Haryana. For investigation a sample of beneficiaries in possession of the allotted land was drawn from two agro-climatically contrasting districts in each of the States. Apart from a total of 589 beneficiaries spread over in the selected districts in the four States, a sample of 300 non-beneficiaries of comparable holding was also studied, so as to get a comparative picture of the benefits derived from the allotted land.

Though the scheme of things for distribution of surplus land gave priority to landless agricultural labour, it has been found that except in Karnataka among the beneficiaries, there were a few who held small bits of land of their own or on lease. The total number of workers in the beneficiary and non-beneficiary households were counted and their time disposal examined. On the basis of the distinction as between working on own farm and on others farm, it was found hat substantial time of the workers in he former group, still was devoted in work on others, farm. It was also found that as the allotted land was developed and intensively cultivated, the time spent in working on others' farm declined. Among the non-beneficiaries the percentage of workers, working on others farm as agricultural labour was far less than that among the beneficiaries. This gives the impression that the number of people among the beneficiaries working as agricultural labour would decline if only their land is fully developed and the intensity of cultivation is improved. However, at the present level of exploitation of the allotted land the beneficiaries are compelled to augment their income by such labour outside their farm.

Two important occupations of the beneficiaries and non-beneficiaries alike were cultivation and agricultural labour. Where the beneficiaries were landless agricultural labour, as it happened to be in Karnataka, the major occupation was agricultural labour for them before allotment of land and it was cultivation after the allotment. On the contrary cultivation was major occupation before allotment for the beneficiaries in Haryana, as in most cases they were holding some land as tenants. Though not so prominent, the beneficiaries in Uttar Pradesh and Bihar also, in a number of cases, were holding some land either as tenants or as owners, with the result that the change in occupation after the allotment of the land was not so marked as in Karnataka.

Various Aspects

Three aspects of the allotted land were examined, viz,. the size of allotment, the cultivable and non-cultivable extent and the need for land development. The impact of the allotment of land on the activity of the beneficiary depended on these aspects. The size of the allotment is very significant. It was found that in Karnataka the average size worked out to 3.57 acres, as against 1.26 acres in Uttar Pradesh, 1.53 acres in Bihar and 4.99 acres in Haryana. In Karnataka the allotment was in one plot, while the average number of plots per allotment was 1.2 in Uttar Pradesh, 1.7 in Bihar and 1.4 in Haryana.

It is often believed that the allotted land is invariably of poor quality and the beneficiaries were reluctant to take up the land for cultivation. Though this point could not be unequivocally cleared on the basis of this study what we found in the case of allotted land in possession was that substantial proportion of it was cultivable as the beneficiaries themselves understood the term in the context of local practices of cultivation. According to the recipients 88.8 per cent of allotted land in Karnataka was cultivable, and the percentages in other States were—92.9 in Uttar Pradesh, 94.6 in Bihar and 87.0 per cent in Haryana. This did not mean that such land required no developmental effort before it is brought under cultivation.

The Distinction

A distinction could be made between land that can be developed and brought under cultivation and land that cannot be developed and used. The latter type, according to this study, was very limited, being only 0.2 per cent in Karnataka, 1.6 per cent in Uttar Pradesh, nil in Bihar and 0.4 per cent in Haryana. The next step is to identify the remainder of the area into two categories, viz., that which can be right away cultivated without much developmental effort and that which can be brought under cultivation only after it is developed. It is not surprising that the former type of land was limited to 12.2 per cent in Karnataka but it is gratifying to note that it was 54.2 per cent in Uttar Pradesh, 62.6 per cent in Bihar and 43.7 per cent in Haryana. About 11.0 per cent of the allotted land in Karnataka, 5.5 per cent in Uttar Pradesh, 31.2 per cent in Bihar and 12.6 per cent in Haryana can be cultivated only after suitably developed. Over and above, this, general development of the land was necessary in respect of 76.5 per cent of the allotted land in Karnataka, 36.6 per cent in Uttar Pradesh, 5.7 per cent in Bihar and 43.3 per cent in Haryana. This latter type of land could however be cultivated as was evidenced by the fact that at the time of the study 88.8 per cent of the allotted land was cultivated in Karnataka, 83.9 per cent in Uttar Pradesh, 68.8 per cent in Bihar and 87.0 per cent in Haryana.

Removal of stones, bushes and other obstructions, levelling, bunding and other types of activities to make land better cultivable were the usual developmental efforts.

Development Cost

The percentage of the land that needed development was mentioned above and out of the total area that needed development only 39.8 per cent was actually developed in Karnataka, 53.8 per cent in Uttar Pradesh, 26.5 per cent in Bihar and 77.1 per cent in Haryana. The estimated cost of development of land per acre was Rs 314 in Karnataka, Rs 327 in Uttar Pradesh, Rs 940 in Bihar and Rs 829 in Haryana.

On the basis of actual expenditure so far incurred the average cost of development per acre worked out to Rs 223 in Karnataka, Rs 124 in UP, Rs 512 in Bihar and Rs 726 in Haryana. In Bihar and Haryana the actual average expenditure turned out to be higher than the scale of finance perceived in the central scheme for assistance. It should be noted that in Purnea and in Hissar, the concept of land development also included elements of investment for providing irrigation facilities.

Though the central scheme for financing development of allotted land perceives an expenditure of Rs 400 per acre, partly as grant and partly as loan, the rôle such finance played in that process in the study areas was extremely limited. In the districts where other special schemes were in operation this assistance was not available in the early stages. It was found that in the study areas in Karnataka Governmental finance accounted for 53.2 per cent of the toal expenditure for land development, 39.3 per cent being from own sources, the rest being borrowings, 2.4 per cent from institutional sources and 5.1 per cent from private sources. In Bijapur district, where finance under the central scheme was not available, 84.9 per cent of the developmental expenditure was met from own sources and the rest was borrowed. The overall picture in UP showed that 59.0 per cent of the total expenditure came from Central assistance, 22.8 per cent from own sources, the rest being borrowed funds. Central assistance was very limited in Purnea area of Bihar while in Monghyr 46.8 per cent of the total expenditure was met by Central assistance. No such assistance was found to have been used by the beneficiaries in Haryana, where 88.7 per cent of the developmental expenditure was met from own resources. The slow progress of development of land and the negligible role of Central assistance could be linked. However, the Central scheme now covers all beneficiaries and if funds are made available in a systematic manner the process of land development can be quickened which would ensure better utilisation of the allotted land.

Beneficiary Holdings

The holding of the beneficiary consisted of allotted land, some owned land and some leased-in land. To study the utilisation of allotted land, that category was separately examined. In Karnataka the holding of the beneficiary was almost completely allotted land, while in the other study areas owned land and leased-in land were not insignificant. It was found that 98.3 per cent of the holding was allotted land in Karnataka, while it accounted for 66.8 per cent in Uttar Pradesh, 56.6 per cent in Bihar and 66.3 per cent in Haryana. Net cropped area of the allotted land amounted to 90.7 per cent in Karnataka, 91.1 per cent in Uttar Pradesh, 68.8 per cent in Bihar and 87.0 per cent in Haryana. On the other hand, 89.9 per cent of the owned land was cultivated in UP, 99.1 per cent in Bihar and 75.2 per cent in Haryana. Utilisation of allotted land was a shade better than that of the owned land in UP and Haryana, while in Bihar owned land was more fully utilised than the allotted land. Taking leased-in land separately the cropped area was 100 per cent in Karnataka and Haryana, 92.3 per cent in UP and 91.0 per cent in Bihar, confirming the proposition that leased-in land is more effectively utilised by the beneficiaries.

If the extent of land utilised by the beneficiaries is compared to that by the non-beneficiaries, it was found that in all the study areas the latter was far higher than that of the former. Thus it is found that purely from the point of view of area utilised the allottees in Bihar, UP and Haryana have yet to bring considerable area under crops and this was further amplified by the fact that owned land and more so, the leased-in land were relatively more fully utilised by the beneficiaries. This is about extensive use of allotted land.

Intensive Utilisation

Intensive utilisation of land was also examined, though at the aggregate level and the comparison was with the intensity of cultivation reached by the non-beneficiaries. The beneficiaries reached 102.1 per cent intensity compared to 117.4 per cent reached by the non-beneficiaries Beneficiaries in UP achieved 159.4 per cent against 169.5 per cent reached by non-beneficiaries. The respective figures for Bihar were 142.0 per cent (beneficiaies) and 148.0 per cent (non-beneficiaries). It was only in Haryana that the beneficiaries had attained a higher intensity than that reached by the non-beneficiaries though the difference is marginal, being 140.6 per cent against 130.2 per cent.

Thus whether we examine the extensive or the intensive use of land the beneficiaries were behind the non-beneficiaries though the gap in either case is not very wide, which is a promising feature.

A majority (375 out of 589) of the beneficiaries indicated that one or another problem that prevented full utilisation of the allotted land. Lack of finance was recorded as the major constraint by 134 out of 375 respondents, i.e,. 35.7 per cent of them. They were distributed as follows: 18 in Karnataka, 28 in UP 58 in Bihar and 30 in Haryana. Lack of irrigation facilities was indicated as a constraint by 104 beneficiaries, of whom 28 were in UP, 52 in Bihar and 24 in Haryana. Need for land development which was recorded by 190 beneficiaries out of 375, was by far, the most important constraint. It ought to be noted that one person may have indicated more than one factor. Other inhibiting factors mentioned were lack of implements and equipment and obstruction from others. The inference is that practically the crux of the problem is lack of financial resources. Having noted the different levels of utilisation of land, the beneficiaries were asked if they had already realised the full productive potential from the allotted land. The reply to this question showed that over 98 per cent of them in Karnataka had not yet realised the full potential. The highest achievement in this aspect was in Haryana where 51.4 per cent of the beneficiaries felt that they already realised the full productive capacity of the allotted land while in Bihar only 18.7 per cent felt so and in UP only 14.6 per cent.

To realise the full productive potential they wanted irrigation facilities, as 68 beneficiaries in Karnataka, 40 in UP, 42 in Bihar and 28 in Haryana felt. Lack of finance was a common constraint in reaching the full level of utilisation of the productive capacity as was indicated by 118 in Karnataka (80.2%), 23 in UP (17.9%), 51 in Bihar (41.8%); and 19 in Haryana (27.9%) As many as 45 beneficiaries in Karnataka felt that they should get more extension services for realising fuller productive capacity of the allotted land.

Broad Assets

Assets were broadly distinguished as livestock, farm implements and equipment and land. Land owned and allotted were separately valued to find the difference between the total value of assets before and after allotment of land.

Allotment of land acts as a catalyst for creation of assets. Value of livestock held by beneficiaries increased by 56. per cent in Karnataka, 111.2 per cent in UP, 70.2 per cent in Bihar and 66.7 per cent in Haryana over what it was before allotment of land. The value of farm implements and equipment increased by 63.8 per cent in respect of beneficiaries in Karnataka from before to after allotment of land. The increase was over 300 per cent in UP, by 33 per cent in Bihar and by 12.9 per cent in Haryana.

In Karnataka, where the beneficiaries owned no land before allotment, the value of land held after allotment was Rs 4,30.

er allottee. In this process the value of he land held by them reached 50 per cent of the value of the land held by non-beneficiaries, on the average. In Uttar Pradesh, the average value of land held rose from Rs 1,821 to 6,171 after allotment; with this the beneficiaries were behind the non-beneficiaries by Rs 639 only. In Bihar the value of land held by beneficiaries increased from Rs 3,612 to Rs 8,126 and this was higher than the average value of land held by non-beneficiaries by Rs 1,855. The increase was more marked in Haryana, where the per beneficiary value of land held increased from Rs 5,541 to Rs 26,375 after allotment, and this was 78 per cent higher than the average value of land held by non-beneficiaries. In this calculation value of leased-in land was excluded.

Average Assets

Taking all these items together, it was found that the average value of the assets held by beneficiaries in Karnataka rose from Rs 319 to Rs 4,804 which ought to be compared with the average value of assets held by the non-beneficiaries, viz., Rs 10,427. In Uttar Pradesh, the increase from Rs 2,422 to Rs 7,555 which compares favourably with the average value of assets held by non-beneficiaries, viz Rs 8,475. In Bihar, the average total value rose from Rs 5,395 to Rs 11,264 which was 72 per cent higher than that of the non-beneficiaries (Rs 6,290). In Haryana, the average value rose from Rs 9,212 to Rs 32,472 and this was 42.6 per cent higher than the value of assets held by the non-beneficiaries.

The liabilities of the beneficiaries were examined in great detail from different angles. Only some significant features are being referred to here. In respect of short-term loans, cooperatives played a significant role in Karnataka (61%) and Haryana (69.5%) In these areas non-beneficiaries obtained from cooperatives 68.4 per cent (Karnataka) and 68.9 per cent (Haryana) of their short term borrowings. To the beneficiaries money-lender provided 4.1 per cent in Karnataka and 7.6 per cent in Haryana; friends and relatives provided 24.3 per cent and 16.3 per cent to the beneficiaries in Karnataka and Haryana, respectively. It was found that in both these areas, the non-beneficiaries did not borrow from moneylenders.

In UP, only 43.5 per cent of the short-term borrowings of the beneficiaries came from cooperatives against 64.2 per cent the non-beneficiaries got. Commercial banks provided 27.7 per cent of the borrowings to the beneficiaries, but nil to the non-beneficiaies. Moneylenders accounted for 16.8 per cent of the short-term borrowings by beneficiaries against 29.7 per cent in the case of non-beneficiaries. However, the moneylender and friends and relatives together, accounted for 28.3 per cent of the total short-term borrowings by the beneficiaries compared with 33.5 per cent of that by the non-beneficiaries.

Institutional sources were practically non-existent for beneficiaries as well as non-beneficiaries in Bihar, where for the former group 29.9 per cent of the short-term borrowings came from moneylenders and 62.6 per cent from friends and relatives. In the case of the latter group the entire short-term borrowings came from moneylenders and friends and relatives. In fact for the small farmer in this area institutional finance was not available. Looking at the role moneylender is playing in respect of short-term borrowings one has reason to be nervous about the future possession of the allotted land.

Term Loans

Similarly, the term-loans raised by the beneficiaries and non-beneficiaries were also examined. In Kanataka 8 per cent of the term borrowings was provided by moneylenders and friends and relatives against 9.8 per cent of that of the non-beneficiaries. In UP, in contrast, moneylenders and friends and relatives provided 59.9 per cent of the borrowings of beneficiaries and 44.5 per cent of that of non-beneficiaries. Cooperative institutions were significant providers of term loans for both the groups. In Bihar term borrowings were very limited. For both beneficiaries and non-beneficiaries in Haryana, lending by cooperatives was significant (37.0 per cent and 46.0 per cent respectively) and equally important was moneylenders, friends and relatives taken together providing 44.8 per cent and 38.1 per cent for beneficiaries gand non-beneficiaries, respectively.

Term borrowings for land development was not reported by benficiaries in Bihar, while it accounted for 3.9 per cent in UP, 10.1 per cent in Haryana and 12.0 per cent in Karnataka. After the allotment of land a large share of the term borrowings was going into productive use, except in Haryana and it was also found that a larger proportion was productively used by the beneficiaries compared with the proportion so used by the non-beneficiaries.

The total outstandings at the time of the study taking short term and term loans together, worked out to Rs 488 per beneficiary in Karnataka, Rs 415 in UP, Rs 133 in Bihar and Rs 2,259 in Haryana. In contrast the average outstandings of the non-beneficiaries were Rs 984 in Karnataka, Rs 257 in UP, Rs 293 in Bihar and Rs 2,289 in Haryana.

The Outstandings

It was found that in Karnataka the total outstandings were fairly evenly distributed as between short term (49.4%) and term (50.6%) loans, but the outstandings to moneylenders and friends and relatives were mostly short-term. In Uttar Pradesh 84.4 per cent of the total outstandings was an account of term loans and 15.6 per cent on account of short-term loans. Here also short-term loans were outstanding mainly in favour of moneylenders and friends and relatives.

Nowhere did the beneficiaries indicate difficulty in raising loans from non-institutional sources. Wherever they were members of cooperatives and wanted to raise loans no problem arose, but the actual borrowings were not substantial, particularly from institutional sources. It was found that out of 589 beneficiaries examined, only 185 or 31.4 per cent were members of cooperatives.

While in the study areas in Haryana 50.7 per cent of the beneficiaries were members of cooperatives and in Karnataka 43.3 per cent, only 18.1 per cent of them were members of cooperatives in UP and 14.7 per cent in Bihar. The major task seems to be a positive effort to promote information about the benefits that would accrue to them by joining cooperative societies. This is essential considering the long-term adverse impact of borrowing from non-institutional sources like moneylenders and friends and relatives.

The average income of the beneficiary household was as low as Rs 2,513 in UP the per capita annual income being Rs 475, but this was slightly higher than the per capita income of the non-beneficiary (455). In Bihar, the average family income was Rs 3,621, the per capita income being Rs 543 against Rs 490 of the non-beneficiary. In Karnataka the average family income for the beneficiaries worked out to Rs 3,096 and the per capita income to Rs 573. This was to be compared with the average family income of Rs 4,467 and per capita income of Rs 732 of the non-beneficiaries. In Haryana, where the average size of the family was larger than that in the other study areas, the average family income of Rs 12,649 resulted in Rs 1,459 per capita, for the beneficiaries. Incidentally this was higher than the per capita income obtained by the non-beneficiary which was Rs 1,273.

Income from allotted land constituted 27.9 per cent of the total average income of the beneficiary household in Karnataka, 32.5 per cent in Uttar Pradesh, 19.5 per cent in Bihar and 47.9 per cent in Haryana. Wage income accounted for 63.4 per cent in Karnataka, 45 per cent in UP, 56.2 per cent in Bihar but only 11.1 per cent in Haryana. The other major component was the income from leased-in land, which was insignificant in Karnataka (1.9%) but amounted to 8.6 per cent in Uttar Pradesh, 15.6 per cent in Bihar and 23.5 per cent in Haryana. Miscellaneous items provided the rest of the income and this included dairy, hiring of bullocks, implements, etc. It was found that wage income was less important for the non-beneficiaries.

From the above details it could be seen that cultivation provided only 29.0 per cent of total income of the beneficiary households in Karnataka, 41.2 per cent in Uttar Pradesh, 35.1 per cent in Bihar and 67.0 per cent in Haryana. In comparison for the non-beneficiaries cultivation provided 47.5 per cent of the total income in Karnataka, 50.3 per cent in Uttar Pradesh, 40.8 per cent in Bihar and 70.2 per cent in Haryana. This means that uniformly the non-beneficiaries derived a larger fraction of their total income from the exploitation of the land held by them, than that derived by the beneficiaries and it is possible to bridge this gap if the allotted land is fully developed, and more intensively and effectively cultivated, for which there is much scope as the discussions so far have indicated. A major constraint is finance—finance for land development, acquisition of implements, equipment, agricultural inputs, etc, finance—short-term, which should come from institutional sources and not from moneylenders and friends and relatives. Once they fully exploit their land the beneficiaries can be brought to a higher level of living. Distribution of surplus land and follow up support, therefore, is a worthwhile effort to eradicate poverty in the rural areas.

Problems of the Transport Sector

S. S. Gauba

Transport is a critical element in achieving successful implementation of development plans and generation of additional resources for further investment. Transport policies, according to the author, should go hand in hand with general economic planning and optimum utilisation. He considers the role of railways in the process of development as vital and pleads for a rational freight rate structure.

TRANSPORT IS the basic catalyst in economic development of a country. It is absorbing 20 to 40 per cent of the developmental expenditure in developing countries. It plays a key role in making land more productive, in marketing farm produce, in exploiting minerals and forests, in developing new industries and in export and import trade. It is also a critical element in achieving successful implementation of health and education programmes and in cultural exchanges.

There exists a technical inter-dependence between the capacity of infrastructure, the capacity of persons using the infrastructure and the capacity of loading and unloading facilities. The amount of investment on transport will depend upon the overall financial situation of the country and the pricing policy regarding the use of transport services which promotes generation of additional resources for investment. The promotion of efficiency in one mode of transport can evoke the spirit of efficiency in a competing mode of transport. It should never be forgotten that any tranport system forms a structure of inter-dependent factors. Transport policy should go hand in hand with general economic planning and with planning of land utilization. Economic analysis makes it evident that cost is not identical with money spent and benefit is not identical with money revenue.

Usually roads are most suitable for feeder transport to and from railway stations. The main functions of the feeder network is to connect origins and destinations with the main railway network. For bulk users railway sidings are also provided for this purpose,

The major problem of the transport sector is transport subsidy. The subsidy is of two kinds:

(i) Pricing of service below the economic cost of providing it.

(ii) Pricing of service below the financial cost of providing it.

Some subsidies are of one kind only, others are mixed. The main purpose of all subsidies is Government transfer of unearned income to the railway users through the transport sector.

Marginal cost pricing is not subsidisation. Similarly price discrimination and unequal sharing of overheads amongst users is also not subsidisation. The basic purpose of subsidy is to achieve the desirable pattern of resource allocation. Enthusiasm for subsidies is inversely proportional to faith in the working of the freem arket. Sometimes subsidies to certain productive activities are economically desirable during initial stages of development. It may be prudent to set prices below the marginal cost level or even to make the services free to the public if that would ensure a lower overall economic cost. For example, instead of providing high cost housing in urban centres, we may provide subsidised suburban transport services. Unfortunately, there is no proper evaluative work on subsidies and sometimes beneficiaries of subsidies are vested interests. Most of the subsidies are light in economic rationale but are presented in best of economic jargon. Frequently they occur because of sticky historical prices in the face of inflation.

Railway Monopoly

Railways began as a virtual monopoly. The traffic was generally charged according to what it would bear. When competition from road transport became a reality, high-rated traffic got gradually shifted to road transport, thereby disturbing the product-mix of rail transport. The old rating policy was no longer relevant and reluctance to change uneconomical tariff resulted in financial losses.

Invidious economies were undertaken, first by slashing depreciation, then by cutting maintenance expenditure and finally by curtailing renewal and modernization investments. Thus, there was created a vicious circle of financial deficit, under-investment, declining service, loss of traffic and still larger deficits. The situation is often aggravated by weak railway management which has been protected and demoralised by the effects of public policy and deficit operations. This leads to the point where the railways come in grave danger of losing their role in the economy.

In India, railways have to play a vital role for discharging which successfully they would need all the nutrients to maintain a steady healthy growth. The following seven commodities constitute 78 per cent of their total freight traffic: (1) coal, (2) iron and other ores, (3) iron and steel, (4) fertilisers, (5) cement, (6) foodgrains, and (7) petroleum products.

If we could scientifically determine reasonable percentages of the market prices of these commodities, which could be earmarked for accommodating the cost of transporting these commodities from producing centres to consuming centres by following the value of service/cost of service principles, we would have taken a significant step in the right direction.

This would relieve the railway administration from enforcing ad hoc increases in tariff which would automatically get regulated as and when there is increase in the prices of these commodities. For example, recently prices of steel and cement have been increased. There may be similar increases in the prices of coal, foodgrains and fertilizers. If reasonable predetermined percentages were available, as suggested above, the railway tariff could be revised simultaneously without imposing any additional strain on railway finances; without disturbing the economic basis for providing transport and, hopefully, without attracting any uninformed criticism from the press and the public. After all financial viability of transport system is as important for national economy as the need for maintaining the price line.

Economies of Scale

The economies of scale should be duly reflected in the pricing of all transport services. The cost of carrying bulk commodities by unit trains is much less than the cost of carrying wagon loads between a large number of pairs of stations. It is only proper and correct that such economies of scale are passed on to the consumers and not retained by the operators themselves. There is no particular merit in having a uniform tariff for the country as a whole when there is no uniformity in the cost of operating a system on the various sections. Well thought of differential tariff based on sound economic principles of demand and supply is likely to serve the interest of railway users and also throw up areas of uneconomical operations. It will also result in development of remote areas which do not have a network of railway lines at present.

It may be helpful to analyse the turn-round time of the different streams of traffic in order to find out whether the rolling stock is detained for long periods of time for loading, unloading and for marshalling in the yards. Optimum utilization of transport equipment and tonnage space will be obtained if the transport user and the transport carrier cooperate in employing several technical advances. This type of cooperation is imperative to ensure higher productivity. The frequency of lack of back loading and empty haulage has to be considered. Changing the mode of transport on certain portions of long haul should also be examined. The system of containers and other methods of faster transfer of goods from one mode of transport to another should be explored.

Evening Out Fluctuations

The fluctuations in demand and supply of transport should be evened out as far as possible by creating storage facilities either at the loading end or at the unloading end or both. This objective can be successfully achieved by offering concessional rates to users who can offer regular traffic without much fluctuation. Railway statistics of stock utilization and tonnage should be supplemented by similar analysis of labour use, revenue and cost. In the administration of regulatory functions by the Government it is essential that the flexibility and efficiency of the transport system is not impaired. The objective is not to inhibit national development of any particular mode of transport.

A large number of proposals for construction of new railway lines remain uncomplied with due to paucity of funds. If part of the loss incurred in operating these new services is borne by the railway user actually making use of these services and the other part is borne by the Government as a measure of subsidy for a limited period in the interest of development of backward areas, we will be in a much better position to provide railway network in the remotest areas and thus help in rapid economic development of the country.

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Global Strategy for Growth—A Report on North-South Issues : Study Group under the Chairmanship of Lord McFadzean; Trade Policy Research Centre, London; Pp 100; Price £ 2.

Reviewed by **Academicus**

THE INDIAN Council for Research on International Economic Relations, New Delhi, held a workshop, in collaboration with the Centre for the Study of Developing Societies, Delhi, in October 1979 on the subject of 'Politics of International Economic Relations'. *Politics of International Economic Relations* contains the papers presented at the workshop.

There was broad agreement that the poor developing countries should come into their own because the widening gap in material well-being among nations breeds discontent, disaffection and international conflict. The existence of wide disparities promotes competition for access to and control over scarce resources and eventually leads to conflicts and possibly war. This would imply that in order to reduce international tensions and avoid war, disparities among nations must be reduced, if not altogether eliminated. 'Vast areas of darkness' surrounding small islands of prosperity would threaten the very existence of the latter.

It is observed that the institutional structure of international economic relations is heavily weighed against the Third World countries who feel that the structure is essentially meant to preserve the status quo. Nearly one billion or more people in some 30 resource-poor developing countries are facing a desperate position and negotiations regarding establishing new international economic order have got bogged down without any concrete step being taken to remove the plight of even the most miserable of the Third World. The North-South dialogue is yielding no concrete results. And so, where do we go from here? Some of the papers in this volume try to provide answers to some of the crucial problems of the Third World and to the obstacles raised in the attempt to establish new international economic order.

It is observed that in their anxiety to modernise their society, the Third World countries have consciously or unconsciously adopted the Western model of development with emphasis on consumerism and proliferation of material wants. Rajni Kothari and S.N. Ghosh have in their papers dealt with the issues connected with the unthinking adoption of the Western model of development. Kothari goes to the extent of maintaining that "indeed there is something basically wrong with the model of life that man has created in the last hundred years or so". Criticising the culture of consumerism Kothari has pleaded for an alternative which "must make limitation of wants a centre-piece and be based on an ethic of consumption that discourages ostentatious living, cuts down production and consumption of non-essential items". Kothari has concluded that such a reorientation of development strategy must apply to all nations of the world. In brief, Kothari has fallen back on Gandhian philosophy and practices!

Incalculable Damage

Sailen Ghosh has practically stressed the same point by emphasising that by fashioning their plans on the pattern of Western development, the Third World countries have done incalculable damage to themselves. Their widely held belief that 'techniques are environment neutral' has, according to him, caused the greatest setback. Plans of development should have taken adequate note of Indian conditions and genius which were completely lost sight of. According to Ghosh, "the intellectual influence of the richer nations on the Third World countries has been no less damaging than their exploitation". He thinks that all this can be changed only when "the concept of development itself changes and, within the framework of new concept, the pattern of industrial organisation visualised also undergoes a change".

C.D. Derhingkar has demonstrated how the global rivalry between super-powers involves developing countries as sources of raw materials or as actual or potential allies and causes immense damage to their economies. He has shown how this dependence-relationship has distort-policies and priorities of developing countries.

Samar Sen has explored the possibilities of cooperation among developing countries and has also pointed out the possible obstacles in the way of such cooperation which according to him are immense.

Nitin Desai has analysed the impact on Indian economy of oil crisis and of India's dependence on other countries. He sees no immediate solution to India'a oil problem and has therefore recommended as an alternative "conservation and seeking an alternative pattern of lifestyle and development".

Ashok Parthasarathy has argued that for meeting basic human needs large amount of advanced technology will be needed as also physical inputs produced by large-scale industries. And therefore, according to him, "The talk of a development stategy that stresses minimum needs, ecological soundness, self-reliance, decentralisation and participation smacks of diversionary tactics for keeping the developing countries away from the path of industrialisation".

The erudite papers in this volume convincingly demonstrate both the urgent necessity of the countries of the world moving towards a new international economic order and also the immense difficulties and barriers which the countries, especially the Third World countries have been and will in future face on way to the establishment of a new world order.

ON EXCISE EXEMPTION

Industrial development by its very nature creates opportunities for industrial enterprises of almost every size. However, considering the need to consciously stimulate development of small-scale industries, the Government has introduced a variety of measures which gives the small scale industries sector an advantage in competing with products of large-scale industries. Among the incentives that are offered to the small-scale industries the major one is from the Central Government in the form of concessions in excise duty.

Miss S.K. Tulsi has made an attempt in *Social Cost Of Incentive* to analyse the impact of concessions in excise duty on the small dyestuff units located in Gujarat where the industry appears to be concentrated. On the basis of the findings of her survey, she has also made certain concrete suggestions in regard to provision of incentives to dyestuff industry in the country.

In the case of dyestuff industry quite a large number of small-scale units have come into existence to take advantage of exemption and concessions in excise duty. According to the survey, "what really has happened is that the output produced under the same management is divided and marketed under different names to avoid the tax liability". Thus existing large-scale dyestuff units were fragmented and this fictitious decentralisation has resulted in unhealthy competition.

Weakened Position

The position of medium and large-scale dyestuff units has got weakened in both domestic and external markets. In the domestic markets the price differentials created by exemption of excise duty are so substantial that medium and large-scale dyestuff units paying a heavy excise duty of 31.5 per cent ad valorem are unable to compete with non-excise paying small dyestuff units. Because of intra-sectoral competition among large number of small dyestuff units, these units are also finding it difficult to stabilise themselves. This has resulted in idle capacity in both small, medium and large dyestuff units.

A committee under the chairmanship of Dr B.D. Tilak pointed out that "the scheme of excise exemption has given excessively large benefit to small-scale units and this had led to inefficiency and proliferation of dyestuff manufacturing units of which many have been set up solely with a view to avoiding excise duty payments by limiting their production and sales to less than Rs 5 lakhs annually".

Proliferation of small-scale dyestuff manufacturing units has produced several other adverse effects. These small units cannot afford and therefore have almost completely neglected R & D and ensuring production of quality goods. They are also not in a position to pay attention to pollution abatement. These small units which are unable to market their goods directly to final consumers have to give large commission to dealers and thus work on small margin of profits.

Large-scale units were in a position to launch programmes of fundamental research and development. But owing to Government policy in respect of excise exemption to small-scale units, the organised sector is crippled. This will definitely have adverse effects on India's exports of dyestuff which large units could have promoted but are prevented from doing and which small units are not in a position to do.

Proliferation of small units has also produced adverse effect on employment in this industry. The large-scale sector which has relatively greater additional employment potential is compelled to keep much of its installed capacity idle with consequent decline in employment in that sector.

In the face of all these developments, it is doubtful whether small-scale units would at all be able to attain the expected growth-rate.

Economic Considerations

Miss Tulsi has suggested that the role of the small-scale sector should be specified in terms of larger economic considerations. It should have been realised that blanket fiscal incentives like excise duty exemption could lead to unfavourable results. Such unplanned incentives are more likely to prove counter-productive and fail to realise the objective.

According to Miss Tulsi, it would have been better if concession to small-scale units is given through other means such as capital subsidy.

The author has suggested that Government should make a thorough review of present concessions made available to the small-scale sector. She feels confident that such a study would reveal the weakness of the present system and help formulate a more comprehensive and rational system which would promote the growth of genuine small-scale units. She has rightly warned that "if some are receiving incentives, there are others who are paying for them''.

The excise duty exemption in the case of small-scale dyestuff manufacturing units has adverse effects on the progress of this vital industry. There is urgent need to look into the problem. It is hoped that this study will catch the attention of policy-makers and make them take appropriate policy measures in respect of excise exemption.

EMPLOYMENT SHIFTS

Economic development involves a marked shift in the proportion of workers in the economy away from the primary sector towards the secondary and the tertiary sectors and in the relative contribution of these three sectors to total national output. Though the primary sector (i.e. agriculture and allied activities) continues to grow with increases in productivity and total contribution to national output, the structural shift occurs because the secondary and the tertiary sectors grow much faster than the primary sector as development proceeds.

Agricultural Growth and Employment Shifts in Punjab aims at analysing the structural changes in employment in Punjab consequent on the introduction of new farm technology. The study is based on the detailed survey conducted in one village each in the districts of Ludhiana, Amritsar and Hoshiarpur, the three representing agriculturally developed, averagely developed and underdeveloped districts of the State. The study covers the period 1966-67 to 1980-81.

It is observed that the income generated in the primary sector of the State increased from Rs 245.18 crores in 1965-66 to Rs 480.45 crores in 1978-79. But what is of significance is that "the relative share of the primary sector in the net State domestic production declined from 50.75 per cent to 47.79 per cent during the same period." Obviously this was due to much faster growth rates of secondary and tertiary sectors in the State.

The census figures reveal that agricultural workers who accounted for 62.68 per cent of the total workers in the State in 1971 declined to 59.15 per cent in 1981. This declining trend was observed in all the selected villages and the main attributing factor has been the relatively low proportion of new entrants in this catetory. It was observed that the tendency of new entrants belonging to farming families is towards service, especially in urban areas.

Under the non-farming occupations, a significant increase in their number as well as in their proportion to total workers was witnessed in the case of servicemen and 'others' categories. Their respective shares to total workers were 15.70 and 9.88 in 1966-67 and 18.71 and 12.74 in 1980-81.

The analysis of secondary occupation revealed that about nine per cent from the primary sector were supplementing their income from secondary sources in addition to the main source. It was observed that in Punjab most common secondary occupations have been allied agricultural activities like poultry, dairy, bee-keeping.

Green Revolution

In brief, the symptoms of a structural shift in the wake of development impulses released by the green revolution have become visible. What is significant is that the changing pattern of employment in these villages conforms to the changing structural pattern for the State of Punjab as a whole.

Apart from employment aspect, the book contains much useful information about different variables such as literacy levels in relation to development, operational holdings and tenancy pattern, sources of draft power, and secondary occupations, etc.

There is no doubt that such micro-economic surveys will be of immense value. As rightly pointed out by G.L. Bansal, "It is only by making our database penetrate the village level that we can hope to generate worthwhile information on the economic conditions of the masses and devise ways and means to elevate their living standards."

ECONOMICS OF ENERGY

It is noticed that in India, studies in economics of energy have not received due attention so far. But since oil price-hike in 1973 and with serious power shortages in most of the States in India, the need and urgency for scientific long range planning in the electricity sector is now well recognised. Such planning is possible only on detailed studies of the power sector and hence the importance of *Dynamics of Electricity Supply and Demand—A Macro-Economic Analysis of Kerala* which may be said to be a pioneering effort in this field.

In the State of Kerala, since 1940 deliberate efforts have been made to add to the power generation capacity. The installed capacity of electricity generation at present stands at 1011.5 MW with a firm capacity of 540 MW. An analysis of spatial location of power stations reveals that about 70 per cent of the total firm power is located in the central region of the State, only about 5 per cent in the northern region and 25 per cent in the southern region. Roughly about 60 per cent of the total demand for electricity is in the northern and southern regions. There has thus been in Kerala a spatial imbalance in the growth pattern of installed capacity in the past.

In Kerala the annual net generation of electricity has increased from 428 MKws in 1957-58 to 4431 MKws in 1977-78, registering an annual compound growth rate of 12 per cent. The overall plant capacity utilisation had been 46.77 per cent as against 36.44 in India as a whole in 1950-51. This has gone down to 42.27 per cent in Kerala in 1975-76 but has gone up to 42.65 per cent in the case of India.

Substantial Fluctuations

The analysis of monthly fluctuations in generation of electricity in Kerala reveals that the fluctuations have been substantial. Kerala even experiences over-all power shortages during lean months of May to July. It is found that in Kerala power system being purely hydro, electricity generation is directly dependent upon water levels in reservoirs which varies with the vagaries of the monsoons. While planning, it is necessary to adopt a methodology that takes note of this aspect.

The study has observed that "if deliberate efforts are made to increase the demand for electricity on the one hand and to reduce the extent of line losses from the present level of 15 per cent to around 10 per cent on the other, the load factor of the system will improve considerably and it should be possible to generate, even with the existing installed capacity power of the order of 4000 MKws. It is expected from the demand projection that though at present Kerala has surplus electricity power, by 1985-86 the annual demand may exceed the expected supply, calling for creation of additional generation capacity.

Rural electrification programmes have encouraged the Kerala State Electricity Board to invest huge amounts to lay transmission and distribution lines through the rural areas of the State. This has helped to boost demand for electricity from rural areas. With the implementation of rural electricity projects, rural industrial demand has increased considerably. It is found that electricity has been the prime mover of industries such as rice and flour mills, saw mills, oil mills, powerlooms and engineering units in rural areas of Kerala.

Demand Pattern

The study has come to the conclusion that "electricity demand grows at a much faster rate than that of the economy." Thus in Kerala while annual average growth rate was around 3.5 per cent, annual increase in rate of consumption of electricity amounted to 10.4 per cent. In the economy of Kerala, the electricity coefficient (i.e. electricity consumption per unit of output) has increased from 1.17 in 1960-61 to 3.0 in 1976-77; in the industrial sector from 7.0 to 13 and in the agricultural sector from 0.08 to 0.4 during the same period. This is clearly indicative of an electricity-oriented technological change in the economy of Kerala.

On the basis of the detailed analytical study, the author has made a number of important suggestions from the policy point of view.

Though at present Kerala enjoys a position of electricity surplus, this is only because of low per capita electricity consumption in the State—only 30.79 MW per million population in Kerala as against 32.12 MW per million population in India as a whole. That makes Kerala a surplus State. The author has suggested a detailed study of demand and supply factors and preparation of an electricity development plan on scientific basis. The State Electricity Board should pay more attention to demand and marketing aspect of electricity.

The author opines that the financial-position of the State Electricity Board can be improved considerably without raising traffic rates. This can be done by measures to increase consumption of electricity in the State, proper load development measures, reducing line losses from the current 15 per cent to around 10 per cent, proper maintenance of equipment, prevention of frequent breakdowns and proper inventory management.

According to the author, electricity planning, especially demand forecasts, should be dovetailed with plan for general economic development of the State. As already noted, there is urgent need to adopt spatial planning in the generation and distribution of electricity. This will help reduce present line losses and frequent interruptions in supply. The Electricity Board should make special efforts at flattening the peak demand, and encouraging consumers to shift their demand to off-peak hours through subsidised tariff.

Finally, the author has emphasised that electricity generation and distribution should not be left only to technicians. He has recommended establishment of a multi-disciplinary team of economists, statisticians, marketing specialists and electrical engineers.

There is no doubt that this pioneering study by P.P. Pillai would be of great interest particularly to electrical engineers, economists and policy-makers concerned with planning of electricity generation and distribution. The study also provides a satisfactory model for similar studies in other States by researchers.

REGIONAL DISPARITIES

A considerable amount of attention has been paid in recent years to regional disparities which appear to be increasing instead of decreasing since the era of planning commenced in India more than three decades ago. The Delhi Malayalee Association organised an all-India seminar in April 1979 in New Delhi on this important subject. *Regional Disparities in India* contains the twelve papers presented at the seminar as also its proceedings.

In his article, L.S. Bhat has emphasised the point that "even after 30 years of planning, spatial planning has not been introduced in the Indian planning process.'' He has maintained that spatial planning should be introduced with decentralised decision-making. He feels that somehow "short-sighted fears of disintegration of the nation seems to be weighing heavily against such a measure". On the contrary, according to the author, "spatial planning is intended to unite different parts of the country economically".

Income Distribution

M.N. Murthy, analysing the importance of income distributional effects of investments in India, has pointed out that "the social value of a rupee of Government spending in the poorest State of India (Bihar) is Rs 3.154 while that of a rupee spent in the richest State (Punjab) is only Rs 0.215. According to him, in the case of personal income distribution also, the importance of public investment is no less signficant.

Anil Khosla has pointed out that though since independence reduction in inter-regional inequalities including the inequalities in industrial development was the declared policy of the Government, the fact however is that the pattern of industrial development that has been established has resulted in increasing differentials in average industrial wage rates in different regions of the country. According to the author, this development shows that the licensing policy, the preferential treatment of industries in backward regions and various other incentive schemes have all failed to bring about industrial dispersal and therefore reduction in inequalities in industrial wage structures in different parts of the country.

J.B.G. Tilak, discussing the role of education in the socio-economic development of any region, has pointed out that availability of infrastructure such as education determines the location of production units including manufacturing industries. The non-availability of educational facilities works as a disincentive for industrial location which in turn leads to economic backwardness apart from social and cultural backwardness. All this suggests that any partial or piecemeal planning can at best make only some minor modifications to the problem of regional in equalities but cannot effectively solve it. And therefore the author has recommended that "macro-planning with critical minimum investment which alters the over-all structure of the society is necessary."

Educated Unemployed

B.K. Nayar has pointed out that educated unemployment is today more accute in certain States which have proportionately smaller share of Central Government investment, Under such circumstances 'sons of the soil policy' would only accentuate the problem by restraining mobility of labour. The author has recommended recruitment on all-India basis of a certain percentage of jobs in each State to prevent narrow parochialism from destroying the unifying sense of nationalism.

H.L. Bhatia has recommended the establishment of an 'Inter-State Council' under Article 263 of the Indian Constitution. Such a council would provide a very useful forum for detailed discussion of the working of the Centre-State financial relations. The council can also be associated with the formulation of national plans. Such a council, established on a permanent basis, according to the author, would be more effective than the National Development Council and Finance Commission in tackling problems of regional disparities.

S.P.S. Deol wants that all-India financial institutions pay more attention to project assistance to units in backward areas. These institutions should also take initiative in finding entrepreneurial talent, identification of projects and providing technical guidance. These institutions should also concentrate more on labour-intensive projects in backward areas as that would generate more employment opportunities. They should also pay at least initially more attention to "the most backward amongst the backward districts." The all-India financial institutions should aim at their regional dispersal and decentralisation in decision-making.

K.V. Nambiar is of the opinion that there is "an urgent need to bring about adjustments in procedures and lending policies of financial institutions in such a manner as to enable the less developed regions to avail of more institutional finance for implementing projects which have regional scope and significance." This would naturally call for better coordination between administrators and financial institutions.

N.P. Kurup has made out a significant point. While during the first decade after nationalisation of major commercial banks, there was a substantial reduction in spatial imbalance in the development of banking infrastructure, fixing of the goal of 60 per cent of credit-deposit ratio and its mechanical implementation may in fact accentuate regional imblance in the deployment of credit. He opines that the policy needs modification and should take into account variables such as per capita deposit, credit, etc.

The papers in the book contain many interesting suggestions for removal of regional disparities. In fact, the problem is assuming threatening proportions and needs to be tackled with all the seriousness at the all-India level. This is necessary because otherwise increasing regional disparities might endanger the very unity of the country.

STRATEGY FOR GROWTH

The brief but brilliant monograph, *Global Strategy for Growth—A Report on North-South Issues*, contains possibly the fiercest attack so far mounted on the Brandt Commission report for "neglecting or downgrading of the fundamental role of private enterprise" in building satisfactorily new relationship between the North and the South.

The entire purpose of this report is "to highlight for public discussion the role of private enterprise in the process of development and economic growth." Rapid integration of world economy and increasing demand for a new international economic order, according to the report, require reasserting the role of private enterprise.

The report points out that the recent tendency is to discount the importance of market forces in the process of economic growth. This means Governments have not given adequate attention to the principles on which nations of the world can live amicably in peace and prosperity.

According to this report, there is a common link between the dissatisfaction of developing countries leading to demand for new international economic order and present economic problems faced by developed countries. This link between the two is to be found "in the impairment of the market process which has been steadily worsening since the 1960s."

Government intervention in the market process has led to two main results: rendering assistance to one sector of the economy at the cost of some other sector and internationally blaming some other country for the failure of domestic policies and economic ills.

Depoliticisation

What is therefore needed, according to this report, is "to de-politicise' national economies and the world economy as far as possible, by returning to market principles". As far as possible, policies should be general and should not discriminate between persons, firms, industries and countries. And therefore proposals of the Brandt report "to achieve politicisation of the economic problem of development, represent a return to the thinking which is responsible for the current impasse". And therefore the attack of the Group of 77 on market forces and private enterprise and inclination to believe that external support and international institutions will serve as a substitute for sound domestic economic policies and for private enterprise as the engine of wealth creation, according to this report, are thoroughly mistaken.

The report maintains that a small number of developed countries carry on bulk of international transactions and therefore if these countries achieve stable institutional arrangements among themselves, their extention on non-discriminatory basis would result in an 'international order' that is based on market principle.

In regard to developed countries there

are three problems which are confronting them at present—inflation, anxiety about stability and security of international financial system, and anxiety about the stability of the international trading system.

In the case of developing countries, the problems confronting them are : promoting efficient allocation of domestic resources, and overcoming trade restrictions in developed countries obstructing export-oriented growth of developing countries.

The report stresses that the problem of creating new international economic order must not be perceived purely in terms of 'demands' by the South and 'concessions' by the North. The solution of North-South problem must be sought in terms of mutual interdependence and not by mutual confrontation.

Suitable Environment

While agreeing with the recommendation of the Brandt Commission regarding need to transfer substantial resources from developed to developing countries, this report has emphasised that it would be the responsibility of developing countries to create suitable and stable environment in their area to attract foreign resources for investment purposes. Foreign capital would come only if such a transfer is found profitable. This would mean that developing countries will have to adopt more liberal policies and allow increasing scope for the operation of market forces.

The report has emphasised that a new international economic order would be established not only when both developed and developing countries perceive that their interests are common but more importantly only when both begin to share and firmly believe in common values.

This report of the Trade Policy Research Centre, London, consisting of eminent persons from academic and business world is a critique of the Brandt Commission report. If the Brandt Commission emphasised that operation of market forces will not succeed in bringing about and establishing a new international economic order and that certain amount of regulation of economies by Governments would be essential for the purpose, this report holds exactly the contrary view and believes that only providing free play to market forces and adoption of liberal policies by both developed and developing countries would succeed in establishing a new international economic order. The two valuable reports put forward two contrary views and therefore should be read together to understand the basic problems and issues involved in establishing a new international economic order. Possibly the effective path to the new economic order lies in appropriately combining and harmonising contrary principles and policies advocated by the two reports.

Books Received

India's Aid to Its Neighbouring Countries: Brojendra Nath Banerjee, Select Books, 105 Savitri Building, Greater Kailash II, New Delhi-110 048; pp 791; Price Rs 300/US$ 60.00.

Politics of International Economic Relations : Ramashray Roy; Ajanta Publications (India), Jawahar Nagar, Delhi-110 007; pp 234; Price Rs 90.

Progress for a Small Planet : Barbara Ward; Heritage Publishers, 4C, Ansari Road, Daryaganj, New Delhi-2; pp 305; Price Rs 95/$19.

Statistics for Economists : Julia Hebden; Heritage Publishers, 4C Ansari Road, Daryaganj, New Delhi-2; pp 201; Price Rs 95/$19.

Unemployment Inequality-Parallel Economy —A Solution: Vadilal Lallubhai Mehta; Vimla Gram Seva Samaj Trust, Kathwada, Ahmedabad-382 430; pp 141; Price not indicated.

Management of Capital Use in Indian Agriculture: Gurdev Singh; Rainbow Publications, 471 M.T.P. Road, Coimbatore—641 011; pp 162; Price Rs 60/$10.

Accounting for Price Level Changes : N. Mishra; Sultan Chand & Sons, 4792/23, Daryaganj, New Delhi-2; pp 243; Price Rs 50.

Modern Economic Analysis: D.M. Mithani, Himalaya Publishing House, "Ramdoot", Dr Bhalerao Marg, Girgaon, Bombay-400 004; pp 770; Price Rs 35.

Surplus Flows and Growth Imbalances; Sudipto Mundle; Allied Publishers Pvt. Ltd, A-104 Mayapuri, Phase II, New Delhi-110064; Pp 210; Price Rs 85.

Development and Welfare Indicators: Birla Institute of Scientific Research; Allied Publishers Pvt. Ltd. 13/14 Asaf Ali Road, New Dehli-110002; pp 112; price Rs 40.

Peace and Detente: *Foreign Policy of the Social Democratic Party of Germany*; Dev Asopa; Sopan Publishing House, R-13, Main Market, Inder Puri, New Delhi-110012; PP 255; Price Rs 80/$ 16.

Rural Development - The CADC experience: West Bengal Comprehensive Area Development Corpn. 6A, Raja Subodh Mullick Square (9th floor) Calcutta-700013; pp 74; Price not shown.

Spatial Diversification of Industries—A Study in Uttar Pradesh: T.S. Papola; Allied Publishers Pvt. Ltd. 13/14 Asaf Ali Road, New Delhi-110 002; Pp 136; Price Rs 40.

Banking Around the World: J.N. Mongia; Allied Publishers Pvt Ltd, New Delhi-110 002; Pp 583; Price Rs 125.

Govind Ballabh Pant—His life and Times: M. Chalapathi Rau; Allied Publishers Pvt. Ltd., New Delhi-110 002; Pp 446; Price Rs 125.

An Indian Future: Romesh Thapar; Allied Publishers Pvt. Ltd, New Delhi-110002; PP 164; price 45.

Forage Evaluation: Randhir Singh & K. Pradhan; Allied Publishers Pvt. Ltd, New Delhi-110002; Pp 320; Price Rs 22.50.

Food Planning - Some Vital Aspects: L. Ramachandran; Allied Publishers Pvt. Ltd, New Delhi-110002; Pp. 392; Price Rs 60.

Monetary Economics - Institutions, Theory & Policy: Suraj B. Gupta; S. Chand & Company, Ram Nagar, New Delhi-55; Pp 432; Price Rs 35.

Poverty and Interdisciplinary Approach: B. Sarveswara Rao & V.N. Deshpande; Somaiya Publications Pvt. Ltd., 172, Mumbai Marathi Granthasangrahalaya Marg, Dadar, Bombay-400014; Pp 296; Price Rs 125.

Strategies of Political Emancipation: Christian Bay; Somaiya Publications Pvt. Ltd, 172, Mumbai Marathi Granthasangrahalaya Marg, Dadar, Bombay-400014 Pp 247; Price Rs 85.

NORTHERN RAILWAY

TIME TABLE NOTICE

The salient features of new time table which comes into force from 1st May, 1982 are as under :—

Trains introduced:

(i) Trains No. 1SSM/2SSM carrying 2nd class accommodation will be introduced between Shamli and Saharanpur to following abstract timings :—

1SSM				2SSM
18.10	D	Shamli	A	17.30
20.50	A	Saharanpur	D	14.50

(ii) Trains No. 1PD/2PD carrying 2nd class accommodation running between Delhi and Palam to following abstract will now carry general passengers also.

1PD (Except Sunday)				2PD (Sat.)	2PD (Except Sun & Saturday)
7.45	D	Delhi	A	15.00	17.30
8.40	A	Palam	D	14.05	16.40

Trains extended

(i) 1DSS/8DSS Delhi, Shamli Passenger trains will be extended to and from Saharanpur with new numbers 3SSD/4SSD to following abstract timings:—

3SSD				4SSD
10.05	Dep.	Delhi Jn.	A	18.30
14.12	Arr.	Shamli	D	14.17
14.22	Dep.		A	14 07
17.00	Arr.	Saharanpur	Dep.	11.[illegible]0

Consequently trains No. 3DSS, 5DSS, 7DSS 9DSS and 1 DSS will be renumbered as 1DSS, 3DSS, 5DSS, 7DSS and 8DSS respectively

(ii) No. 1ATD Agra-Tundla-Delhi Passenger train will be extended between Delhi & New Delhi & renumbered as 1ATN as under :—

		1 ATN
Delhi	A	18.40
	D	19.42
New Delhi	A	19.55

(iii) No. 46DN/45UP Amritsar-Delhi Janata Express will be extended between Delhi & Hazrat Nizamuddin. These trains to be renumbered as Hazrat Nizamuddin-Amritsar Express will now carry first and second class accommodation and their timings between Delhi & Hazrat Nizamuddin will be as under :—

46 DN				45 UP
5.23	A	Delhi Jn.	Dep.	22.15
5.45	D		Arr.	21.45
5.58	A	New Delhi	Dep.	21.35
6.20	D		Arr.	21.15
6.35	A	Hazrat Nizamuddin.	Dep.	21.00

(iv) No. 379DN/366UP Palwal-New Delhi Passenger trains will be extended between New Delhi & Delhi as under :—

379 DN				366 UP
9.53	A	New Delhi	Dep.	17.10
10.07	D		Arr.	17.05
10.20	A	Delhi	Dep	16.50

Runs curtailed

Train No.	Between
1DNM/2DNM Shuttle (New No. NM/2NM)	Delhi & New Delhi
331 UP Passenger	Saharanpur-Amritsar.
332 DN Passenger	Amritsar-Saharanpur.
353 UP Passenger	Ambala Cantt-Amritsar via Dhuri.
354 DN Passenger	Amritsar-Ambala Cantt via Dhuri.

Important changes made in train timings

1UP will arrive/leave Mughalsarai 6.08/6.38 against 7.00/7.35.

3UP will arrive/leave Mughalsarai 7.33/7.53 against 6.07/6.25 & arrive/leave Allahabad 10.45/11.15 against 9.15/10.10.

155UP will arrive/leave Mughalsarai 16.46/17.06 against 17.41/18.00 arriving New Delhi at 6.10 against 5.25

153/167/19 1UP will arrive Delhi at 12.25 against 11.35.

175 UP will arrive/leave Mughalsarai at 6.55/7.15 against 8.30/8.50 arriving New Delhi at 21.05 against 21.35.

28UP leave Varanasi at 11.30 against 11.00.

116UP will leave/Lucknow at 10.35 against 10.00 arriving/leaving Kanpur at 12.00/12.30 against 11.30/11.50.

119UP will arrive New Delhi 13.15 against 12.15.

2 DN will arrive/leave Mughalsarai at 20.55/21.25 against 19.35/20.05

156 DN will leave New Delhi 22.00 against 22.10 arriving/leaving Mughalsarai at 11.03/11.23 against 9.48/10.03.

192 DN will arrive/leave Mughalsarai at 7.30/7.50 against 6.50/7.10

176 DN will leave New Delhi 6.00 against 7.00

120 DN will leave New Delhi 14.25 against 15.15.

139 DN UP & 159 DN UP will arrive/leave Allahabad at 18.20/18.50 against 15.30/15.55 arriving Varanasi at 22.00 against 19.00 hours.

13UP will arrive/leave Mughalsarai at 17.45/18.10 against 17.25/17.50.

21DN will arrive New Delhi at 6.10 against 5.35.

121/123/125DN will arrive New Delhi at 16.00 against 13.40.

143DN will arrive Hazrat Nizamuddin at 14.35 against 10.35.

16UP will leave New Delhi at 19.10 against 19.30.

122/124/126UP will leave New Delhi at 6.10 against 6.50.

144UP will leave Hazrat Nizamuddin at 6.40 against 9.20

38DN will leave Ferozpur Cantt. at 21.10 against 21.35.

60DN will leave Shri Ganganagar at 19.20 against 19.45 arriving Bhatinda at 22.35 against 23.00

37UP will arrive Ferozepur Cantt. at 6.45 against 6.20.

18DN will leave Jammu Tawi at 22.05 against 22.40.

82 DN will arrive Bhatinda at 21/05 hrs. against 21.40.

2CCM will leave Mirzapur at 18.15 against 17.35

357UP will leave Mughalsarai at 17.20 against 18.50.

355UP will leave Agra cantt. at 19.15 against 18.30 & will arrive Tundla at 20.45 hrs. against 20/5 hrs. & will leave at 21.30 hrs. against 20.50 hrs.

536UP will leave Kanpur at 5.00 against 4.30.

542 DN will leave Lucknow at 7.30 against 6.00.

540 DN will leave Lucknow at 23.30 against 22.30.

2 KA will leave Kanpur at 15.25 against 14.45 arriving Allahabad at 21.20 against 20.50 hrs.

2 AHH will leave Aligarh at 8/15 against 8.00 arriving Hathras Qilah at 9.55 against 9.40.

6 JF will leave Ferozepur Cantt. at 13.10 against 12.55.

6 LF will arrive Jakhal at 22.40 against 22.15.

4 LF will arrive Ludhiana at 15.10 against 15.27.

8 LF will leave Ferozpur Cantt. 17.20 against 18.55 arriving Ludhiana at 21.15 against 22.45.

336 DN will leave Shri Ganganagar at 7.00 against 8.35 arriving Bhatinda at 12.25 against 13.15.

3 AQB will leave Amritsar at 14.00 against 14.50 arriving Quadian at 16.00 against 17.00 hours.

4 ABQ will leave Quadian at 16.40 against 20.50 arriving Amritsar at 18.45 against 22.55.

343 UP will arrive Shri Ganganagar 1.30 against 1.05.

335 UP will arrive Shri Ganganagar at 18.40 against 19.10.

4 SHB will leave Shri Ganganagar at 17.20 against 17.45 arriving Bhatinda at 21.30 against 22.05.

1 BA will arrive Abohar at 20.20 against 20.03.

2 APJ will leave Jammu Tawi at 22.40 against 22.00.

2 DS will arrive Delhi at 11.15 against 11.00.

38 1DN will arrive/leave Tughlakabad at 14.54/14.56 against 15.24/15.26 arriving New Delhi at 15.45 against 16.20.

367 Dn will arrive/leave Tughlakabad at 8.16/8.18 against 8.40/8.42 arriving New Delhi at 9.01/against 9.28.

1NGN will leave Ghaziabad at 10.35 against 10.50.

5 DSS (Old 7 DSS) will leave Delhi at 19.20 against 20.00 arriving Shamli at 23.30 against 24.00.

6 DSS will leave Shamli at 7.20 against 6.40 arriving Delhi at 11.25 against 11.10.

8 DSS (Old 10 DSS) will arrive Delhi at 22.00 again at 22.25.

12 KS will Kalka at 16.45 against 17.00.

2 GN will leave Najibabad at 8.10 hrs. against 8.40 and will arrive Gajraula at 12.10 against 12.35.

2 KN will leave Kotdwara 6.55 hrs. against 7.30 and reach Najibabad at 7.50 against 8.20 hrs.

4 LK will arrive Fazilka at 22.25 against 22.45 hrs.

3 BH will leave Bhatinda at 21.15 against 21.00 hrs.

339 UP will leave Bhatinda at 18.00 hrs. against 18.15 hrs.

Changes made in running of through and sectional coaches

(i) One Ist Class coach (FC) will be introduced between Delhi and Ferozpur by 37 UP/38 Dn Punjab Mails.

(ii) One composite I & II Class (FCS) Coach will be introduced between Dehradun and Indore by 20/87-88/19 trains in place of Dehra Dun-Bombay Central T/S composite Coach.

(iii) One composite I & II class (FCS) will be run on 2 days a week instead of once a week between Parasia and H. Nizamuddin by 454/137—133/451 trains.

(iv) Biweekly Waltair-New Delhi service running by 7/15-16/8 trains will be shifted to run by 3/51-21-22/52/46 trains.

(v) Barmer-Ahmedabad 2 tier sleeper coach will be handled by 2 JB/266/65/A/265/1JB trains instead 2JB/1SB/66-A/65-A/2SB/1 JB trains.

(vi) One Ist Class (FC) and one 3 tier sleeper. (GSCN) will be introduced between Bilaspur and Amritsar by 137/45-46/138 trains.

For detailed information regarding train timings, introduction of through and sectional carriages etc. reference should be made to May/1982. Time Table available for sale at Railway Booking/Reservation/Enquiry offices as well as bookstalls at important stations.

CHIEF OPERATING SUPERINTENDENT

हर कारीगर व राज की पसन्द
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सीमेन्ट
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चित्तौड़गढ़
आई एस
चेतक
५०-किलो
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प्रो. बिरला जूट मैन्यू. कं.लि. कलकत्ता-१

Rising Vanaspati Output

THERE HAS been a spectacular growth in vanaspati industry during 1981, and its output in the country touched a record figure of 847,711 tonnes showing a rise of nearly 20 per cent over the previous year's output of 705,778 tonnes. This improvement in production was possible because of an assured supply of oils at constant prices. There also was an improvement in the availability of coal, power, tinplate and other inputs required for the continued maintenance of output.

Mr V.K. Swaika, Chairman, Vanaspati Manufacturers Association of India recently pointed out that the industry is again facing the problem of raw materials. Since the beginning of 1981, he stated, the usage of imported oil is being progressively brought down from the peak of 95 per cent in 1980 to 60 per cent at present. Further expansion of this industry has become dependent on indigenous oil availability from non-traditional sources at economic prices. This is not a very happy situation because the availability of oils from non-traditional sources has been considered uncertain and is inadequate to meet the requirements of the industry.

Flexible Pouches

The Association has been impressing upon the Government to allow the industry the use flexible pouches for packing vanaspati at the rate of 250, 500 and 1000 grammes which may result in significant saving in packing. The matter, however was under the consideration of the Government.

Mr Swaika pointed out that the vanaspati manufacturer was still required to limit his production of refined oil to 25 per cent of the actual production of vanaspati in the corresponding month even though he may have separate refining capacity of much larger size. Moreover, the Directorate of Oils, Fats and Vanaspati insists that industrial hardened oil should be sold only to users having L-6 licence when the Ministry of Finance has confirmed that such L-6 licences can no longer be issued to the users of hardened oil as it is now an excisable commodity. Mr Swaika hoped that Government would respond favourably to the representations of the Association and remove these unnecessary constraints on fuller utilisation of capacity in this year of productivity.

Sunflower Cultivation

Sunflower is now well established as an oilseed crop in Marathwada and is progressing well in Karnataka. Based on this experience the Association undertook its introduction on an extensive scale in new areas of Maharashtra and Gujarat States. In Maharashtra it was introduced in Khandesh region as a pure and a mixed crop. In South Gujarat where cultivators are sowing cotton at a wide spacing, sunflower of modern variety was tried as an inter crop for the first time. It was also introduced in Bhal area of Saurashtra. The results in some areas are promising.

The Association has made some efforts to raise the output of other oilseeds too. For the successive second season IARI, New Delhi, continued supply of breeder seeds of high yielding varieties of brown and yellow sarson. In the first year the Association received breeder seed of 7 varieties and during the current year 20 varieties. As many as 40 multi-locational varietal trials have been laid out throughout the country covering Gujarat, Maharashtra, Rajasthan, Madhya Pradesh, Bihar, Orissa, Jammu & Kashmir and Assam. Some improved seeds of Taramira were procured and tested in Rajasthan. Further, large scale seed multiplication of TM-2 and TM-4 varieties tried earlier and well accepted by farmers was organised in Rajasthan.

The Ministry of Agriculture also is making special efforts to raise the output of oilseeds. In this context two special projects need mention (i) Intensive Project for Increasing Production of Groundnut in Saurashtra Region of Gujarat (1980-84); and (ii) Soyabean Project in Madhya Pradesh (1981-86), with an outlay of Rs 50 crores during 1981-82. The Groundnut Project of Gujarat aims at raising the production of groundnut from 18 lakh tonnes in 1979-80 to 27 lakh tonnes in 1983-84 through distribution of quality seeds, adoption of plant protection measures on a campaign basis, early sowing of crop with pre-sowing irrigation, providing protective irrigation, expansion of area under rabi/summer irrigated groundnut, adoption of closer spacing, proper sowing depth, etc.

Financial Assisstance

The farmers are being provided financial assistance on cost of seed, irrigation, improved implements and plant protection equipment. The project involves an outlay of Rs 35 crores which is being fully met by the Government of India. During 1980-81, an area of 142,000 hectares was covered under rabi/summer irrigated groundnut as against 68,000 hectares in 1979-80. During 1981-82, two million hectares have been covered under groundnut in kharif and it is proposed to bring 200,000 hectares under rabi/summer irrigated groundnut. As a result, the production of groundnut during 1981-82 in Gujarat is likely to show a marked increase.

The soyabean project in Madhya Pradesh envisages extension of area under the crop from 450,000 hectares with a production of 350,000 tonnes in 1980-81 to 1.8 million hectares with a production of 1.44 million tonnes in 1985-86. The total outlay on the project is Rs 15 crores and is being met by the Government of India. During 1981-82, an area of 625,000 hectares has been covered under this project in Madhya Pradesh. The per hectares yield of Soyabean in the country increased from 437 kgs in 1971-72 to 820 kgs at present.

STATE OF THE ECONOMY

Long Term Power Needs

To meet the power needs of a growing economy the Ministry of Energy and the Central Electricity Authority (CEA) have undertaken the preparation of a comprehensive long-term plan for power development. This plan will initially cover the period of 15 years, upto 1995 and will be extended to 20 years till the turn of the century. The main objective of the exercise is to identify the optimal path of power development consistent with the desired perspective for economic growth. The demand for power and its pattern, and also the trends in economic factors governing the power generation and transmission, will be based on a total approach.

For projecting the power demand during the perspective period upto 2000 AD, two scenarios, high economic growth and low economic growth, have been developed. For the high growth scenario, the GDP is assumed to grow at an average rate of six per cent per annum compound during the period 1980-2000. For the low growth scenario, the GDP is assumed to grow at 4.5 per cent. The corresponding growth rates of the industrial sector have been assumed as 7 per cent and 5.5 per cent respectively. The Five Year Plans will form a part of the long term plan. The Sixth Plan envisages an additional capacity of 19,666 MW. An ambitious capacity addition of 3500 MW has been programmed for the current financial year. This programme has been based on the review of the progress of projects carried out during the Power Ministers Conference held in November last year and on the basis of joint coordination meetings held in the Central Electricity Authority.

All the schemes included in the Sixth Plan have been cleared by CEA and sanctioned by Planning Commission. In addition, a capacity of 16,627 MW has also been sanctioned. Out of this, benefits to the tune of 15,762 MW will accrue during the Seventh Plan period and the remaining beyond the Seventh Plan. CEA has also accorded techno-economic approval to additional schemes aggregating a total capacity of 8,654 MW, comprising 3,567 MW Hydro and 5,087 MW thermal. These schemes are under various stages of processing of investment decisions by the Planning Commission. Benefits from these schemes will accrue during the Seventh and subsequent Plan periods.

Duty Drawback Rates

Duty drawback rates for a wide range of items have been revised. The items include dry cell batteries, tools for lathes, shapers and planers, small and cutting tools, electric ceiling fans, fabrics made wholly of silk and readymade garments made from silk. The rates have been revised upwards especially in the case of dry cell batteries and downwards for electric ceiling fans. Among the new entries are tools for lathes, shapers and planers and small and cutting tools made of high speed steel.

For electric ceiling fans with aluminium blades (900 mm and 1050 sweep) the new rate is Rs 19.40 per unit against Rs 20 earlier. For fans of 1200 mm sweep the new rate is Rs 21.70 per unit against Rs 23 earlier. In the case of fans with 1400 mm sweep the rates have been slashed from Rs 27 per unit earlier to Rs 24.40 now. Similarly, for fans 1,500 mm sweep, the revised rate is Rs 26.30 against Rs 29 per unit earlier.

Similarly, the rate has been reduced for electric fans, not otherwise specified ond exported in CKD/SKD condition complete or incomplete.

Thein Dam Cleared

The Union Government has given technical clearance for the Thein dam project, Chief Minister Darbara Singh announced recently. Talking to newsmen after a Cabinet meeting, Mr Darbara Singh said a letter stating this had been received by his Government from the Planning Commission.

According to the letter, the feasibility report of the project had been examined by the Central Water Commission and the Central Electricity Authorities and the Planning Commission had accepted their reports in full. The project includes the setting up of four 120 MW power stations in the first stage and a second stage comprising three units of 50 MW capacity each. The entire project will be completed by December 1987.

Knitted Pyjamas for France

All restrictions on export of knitted pyjamas to France have been removed. This follows negotiations with the European Economic Community (EEC) in New Delhi recently. As a result of the latest move, exporters of knitted pyjamas to France will escape the constraint imposed earlier. A stopgap arrangement between India and the EEC and France in pariicular, had limited the export of knitted pyjamas to only 90,000 pieces during 1982.

Prior to this, following a request from the French Government, the Indian authorities had imposed a limit on the exports of knitted pyjamas to that country. At that time, the exports were pegged at 45,000 pieces. This was later raised to 90,000 pieces. And now even that limit has been done away with.

Meanwhile, the Apparels Export Promotion Council (AEPC) has finalised the cut-off prices on contract reservation applications which were received on April 12.

Rupee-Pound Exchange Rate

The pound sterling has become dearer by 5 paise, following the devaluation of the rupee by 0.29 per cent by the Reserve Bank of India. The Bank has fixed the new middle rate at Rs 16.70 against the earlier Rs 16.65.

The spot sterling selling rate of £5.9737 corresponds to Rs 16.74 and the spot purchase rate of £5.9737 corresponds to Rs 16.66.

The forward discount, however, remains unchanged and the Reserve Bank of India will continue to purchase forward sterling up to the ninth month at a discount of 60 points per month.

New Bank of India

New Bank of India (NBI) made all-round progress in 1981. It performed well in mobilising deposits, disbursing credit (with particular emphasis on lending to priority sectors and weaker sections of society), maintaining discipline, improving customer service, strengthening its capital base, manpower development and systems improvement.

NBI's total deposits stood at Rs 585.21 crores on December 31, 1981 against Rs 503.28 crores as on December 31, 1980. Compared with an increase of Rs 61.22 crores in 1980 it mobilized Rs 81.93 crores deposits in 1981. Credit grew Rs 73.75 crores (28.74 per cent) in 1981 and stood at Rs 330.37 crores. It increased its capital from Rs 75.04 lakhs to Rs 2.50 crores during the year. The total reserves of the bank after capitalisation stood at Rs 2.79 crores and another Rs 80 lakhs was added to this. At the end of 1981 the capital remains Rs 2.50 crores and reserves at Rs 3.59 crores. It had opened 32 more branches and had at the end of 1981 a network of 455 branches, of which 292 (or 64.18 per cent) were situated in rural and semi-urban areas. The bank shall transfer Rs 8.22 lakhs to Central Government as net profit earned in the year 1981.

The year 1981 was the second year of nationalisation of the bank. It has more than amply acquitted its responsibility as a nationalised bank by caring for the neglected and the weak. It added over 12,000 priority sector accounts to its list of borrowers. The priority sector advances increased by Rs 37.12 crores in 1981 which is 50.33 per cent of its incremental total outstanding credit to all sectors. Weaker sections of society were helped to the tune of over Rs 190 lakhs lent under the DRI Scheme at 4 per cent. The number of beneficiaries under DRI Scheme increased 4497 to 13,325 in 1981. This is besides the housing finance provided to them.

Agricultural Advances

Agriculture was one area which received particular attention. Agricultural advances of the bank increased by Rs 22.33 crores, i.e. 114.40 per cent increase over the past year's figure. This is the highest growth percentage in agricultural lending attained by the bank in any year during the past decade.

In 1981 the bank improved its customer service. It also earned acclaim for maintaining discipline. It made notable changes in organisation structure, delegating and decentralising powers and responsibilities. More avenues for promotion and training of staff were opened. New systems to close communication gaps and to streamline operations were introduced. Consequently, efficiency and productivity in the bank have improved. In keeping with its new image the bank adopted a new symbol on October 1, 1981 and the moto 'New Bank For Prompt Service'.

In this year of productivity the bank is poised to scale higher heights. It is seriously engaged in the implementation of the new 20-Point Economic Programme and welcomes the slogan 'Shrama Eva Jayate' (hard-work alone triumphs) with faith and fervour.

For giving impetus to financing of exports, international divisions are functioning at Bombay and Calcutta. International divisions provide specialised services to exporter clients. The bank proposes to open five more international Divisions at important centres.

Caustic Soda Prices Slashed

Faced with curtailment of orders from consuming industries, caustic soda manufacturers have been compelled to slash prices ranging from Rs 200 to Rs 500 per tonne.

Normally, manufacturers have to conform to the maximum ex-factory selling price fixed by the Alkali Manufacturers Association of India (AMAI), both for liquid and solid caustic soda. But the actual situation in regard to stock levels with the manufacturers is that they have been left with no choice but to effect price cuts.

The maximum ex-factory selling price fixed by AMAI, is Rs 3905 for caustic soda liquid and Rs 4880 ex-factory for solid. Excise duty and local taxes are extra.

The upcountry caustic soda units are reportedly cutting down on prices, since the major consuming industries like aluminium and paper were facing recessionary trends. According to information reaching here, AMAI maximum recommended price is actually taking a beating elsewhere too. The situation is so fluid, it is difficult to predict when a firm price situation would be obtained.

FRG Vessels for Research

India is securing a research vessel from West Germany for undertaking research on the unlimited mineral wealth of the ocean around the country and this vassel should be available in 1983. This was indicated in Lok Sabha recently by Minister of State for Science and Technology, Mr C.P.N. Singh while replying to a special debate on the need to develop the mineral resources of the Indian Ocean.

Mr Singh said the Government attached great importance to this subject and this was why it had constituted a Department of Oceanography last year. For the full exploitation of the resources of the sea around India, it was necessary to have a large team of experts and a number of vessels. This was being done.

In the discussion, initiated by Mr Digvijay Singh (Congress-I), members highlighted the need to keep the Indian Ocean as a zone of peace without which, they said, it would not be possible to make full use of the economic potential of the sea.

Mr Singh's motion called for charting of the fish and mineral resources, farming of the continental shelf, mining of the ocean bed, development of tidal currents as a source of energy, effective patrolling of the economic zone and building up of national defence to safeguard India's economic zone. He welcomed the setting up of a Department of Oceanography but felt that considering the importance of the sea around for economic exploitation, the department should be upgraded to that of a Ministry.

Low Capacity Utilisation at BHEL

The lack of demand, technological problems and difficulties in matching the pattern of demand with the production capability are some of the major causes responsible for the underutilisation of capacity of the state-owned Bharat Heavy Electricals Limited (BHEL), according to a report of Parliamentary Committee on Public Undertaking.

The committee in its report presented to Lok Sabha recently said that there was considerable underutilisation of capacity in areas of thermal sets of lower rating, hydro sets, nuclear steam generation equipment, industrial electrical machines, compressors, capacitors, energy meters and the like.

The committee hoped that with the introduction of the new modular concept, BHEL would be "favourably placed in the years to come." It desired that BHEL should explore the possibilities of exports of such products, when faced with domestic demand constraints, for optimising its capacity utilisation.

The committee noted that there were some weaknesses in the organisation, resulting in poor performance, demand and production constraints, slippages in delivery of equipment and slow pace of indigenisation.

Good Progress by IRCON

The Indian Railway Construction Company Limited (IRCON), has made good progress: Its turnover increased from Rs 65 lakh in 1977-78, the year of its inception, to Rs 247 crore in 1981-82. The profit increased from Rs 2 lakh to Rs 110 lakh during the same period.

Chairman, Mr P.N. Kaul of

JAY SHREE TEA & INDUSTRIES LIMITED

Notice to the Shareholders

NOTICE is hereby given that the 36th Annual General meeting of the Shareholders of the Company will be held on Wednesday, the 23rd June, 1982 at 3.30 p.m. at 'Birla Buildings', 9/1 R.N. Mukherje Road, Calcutta-700 001 and its Agenda has been/will be circulated to all members of the company in time. The equity share Transfer Registers (Registers of Members) will remain closed from 1-6-1982 to 23-6-1982 both days inclusive, for the purpose of payment of dividends.

By order of the Board
for Jay Shree Tea &
Industries Limited
B.C. Biyan
President

Registered Office :
'INDUSTRY HOUSE'
10 Camac Street
Calcutta-700 017
Dated, the 28th April 1982.

he public sector company told
news conference recently that
t had plans to expand its actiities in other countries in
\frica, the Middle East and
South Asia.

The basic objective of
RCON was to take up proects abroad. It had already
xecuted a small service conract in Iran.

At present, it is executing
ontract for manufacture, suply and installation of 55 mehanical lifting barriers for
Nigeria and also supply of
pare parts.

"IRCON's major achieveient has been of securing the
restigious contract in Iraq for
onstruction of a new railway
ine at a cost of Rs 237 crore
gainst stiff competition from
vell established contractors",
Mr Kaul said. The company
iad been able to mobilise the
raq project at a rapid pace,
ie said.

IRCON had a workload of
Rs 65 lakh in 1977-78, and it
rossed Rs 300-crore mark in
981-82. This is expected to
o up further to Rs 400 crore
his year (1982-83).

Mr Kaul said with the exertise available with the
ndian Railways, the "comany was formed so that
RCON can take up construcion of various railway projects
oth in India and abroad on a
urnkey basis."

The company had started its
irst activity in November 1977
vhen it had constructed a proect in a very difficult terrain
n a short period of four
nonths. Later IRCON had
een providing infrastructural
acilities for the time-bound
rojects in India, namely, the
World Bank-aided projects of
NTPC at Korba, Ramagundum,
Singrauli and Farakka and proects of State Electricity Boards
t Parichha, Anpara and Biringhpur and for Hindustan
Paper Corporation in Assam
egion.

Record Output by CEL

The Central Electronics
imited (CEL) has achieved a
ecord production of Rs 152
akh during 1981-82 exceeding
s target for the year by wide
nargin. While the production registered an increase of about 56 per cent over the last year's level of Rs 97 lakh the sales also witnessed an increase of about 34 per cent. The CEL has placed the targets of production and sales at Rs 3 crore each for the current fiscal.

With the increased production and sales, the CEL has managed to cut down its losses also. While in 1980-81 its losses stood at Rs 76 lakh in 1981-82 these came down to Rs 57 lakh though the budgeted losses for the year were Rs 75 lakh. The management is hopeful of breaking even this year.

Addressing a press conference recently, the Chairman, Lt. Gen. K.S. Garewal, declared the CEL was going commercial in the production of photovoltaic system. The company had launched a new project with an investment of Rs 150 lakh for the commercial production of solar cells and modules for space applications, solar power systems for offshore oil platform of the ONGC, photovoltaic systems for telecommunication, solar radio and calculators.

The Chairman said the company had started the supply of space qualified solar cells to ISRO for space applications. Proposals were under study for setting up of two solar photovoltaic projects—one each in Haryana and Andhra Pradesh.

Claiming that the company's order book position was excellent, Lt. Gen. Garewal said the board had decided to undertake the expansion of the professional ferrites unit at a cost of Rs 70 lakh.

New Unit Scheme

Unit Trust of India (UTI) has announced the introduction of a new closed-end unit scheme called "income unit scheme 1982".

Announcing the scheme to pressmen recently UTI Chairman, Mr G.S. Patel, said the scheme, which became effective from May 1, 1982 is meant particularly for people in the lower and middle income groups and salaried classes.

The scheme is open to resident individuals and assures them of a growing return.

The dividend which will be 12 per cent in the first year will rise to 12.5 per cent in the next two years. A dividend of 13 per cent is to be paid in the last two years of the scheme. The dividend would be paid half yearly.

The scheme will be operational for a period of five years only. During this period, repurchases would be allowed only after the end of the second year, up to 50 per cent either on one occasion or two at prices fixed by the Trust.

The face value of the units would be Rs 100 per unit. The sales would remain open for two months, May and June 1982.

Mr Patel said that with a view to ensuring that there was a wider coverage under the scheme, the maximum amount of investment would be restricted to Rs 10,000 while the minimum amount would be Rs 2,000 per application.

Members of the public could, therefore, submit their applications for a minimum of 20 units of Rs 2000 and in multiples of 10 units thereafter, subject to a maximum of 100 units of Rs 10,000.

The applications under the scheme would be accepted by all the offices of the Unit Trust and by certain designated branches of Central Bank of India in May and June 1982.

As it is a closed-end scheme, the scheme would come to an end at the expiry of the fifth year and the net assets of the scheme would be distributed on a pro-rata basis to the participants in the scheme, Mr Patel said.

Trade Deficit

Provisional data available for the nine months of 1981-82 place the trade deficit at Rs 4,109 crore, showing an increase of 3.9 per cent over the corresponding period of 1980-81 (Rs 3,955 crore).

This is contrary to the earlier expectations that the country would be able to achieve a lower trade deficit on account of the OPEC price freeze and the likely reduction in oil imports during the year.

While the data for 1981-82 are provisional, those for 1980-81 are revised estimates. Hence the two sets of figures are not strictly comparable. The trade deficit during April-December 1981 may turn out to be even higher if the recent past is any guide. Provisional data for April-December 1980 had placed the trade deficit at Rs 3,806 crore while the

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revised estimates were of the order of Rs 3,955 crore.

Notwithstanding the higher absolute amount of the trade deficit during April-December 1981, the provisional data give some indications that the worst on the trade front is over.

During the first nine months of 1981-82, exports at Rs 5,317 crore registered an increase of 5.7 per cent over the comparable period of 1980-81 when they were Rs 5,014 crore. This growth rate is higher than the 3.8 per cent recorded during the full year, 1980-81. Since 1976-77, the growth rate of exports exhibited considerable fluctuations. Exports rose by five per cent during 1977-78 and by six per cent during 1978-79. During 1979-80, there was a sharp rise of 12.8 per cent, which fell to 3.8 per cent in the following year. On this reckoning, the rise in exports during the first nine months is encouraging.

Imports during April-December 1981 (Rs 9,426 crore) have increased by 5.2 per cent over the comparable period in 1980 (Rs 8,969 crore). Not only is the rate of increase in imports smaller than that of exports (5.7 per cent), but it is significantly lower than the rate of growth in imports in the recent past. During 1979-80 and 1980-81, the import bill rose steeply by 30.7 per cent and 38.4 per cent, respectively. It is true that this steep rise in imports resulted partly from the oil price hike in 1979-80. But even in 1977-78 and 1978-79 imports had increased by 18.7 per cent and 13.1 per cent, respectively. Unless imports escalate sharply during the remaining three months of 1981-82, the increase in the import bill is likely to be of a smaller order than in the recent past.

German Market for Medicinal Plants

Germany is one of the largest importers of medicinal plants in the world. The total imports of Germany in the year 1980 of cinchona and its alkaloids, quinine, liquorice roots, etc. amounted to DM 57 million. The major suppliers to the German market at present are Zaire, Egypt, Argentina, Greece, Italy and France. The total exports of India of medicinal plants and derivatives in the year 1979-80 were valued at Rs 11 million. The considerable scope offered by the German market for promotion of Indian exports of medicinal plants deserves serious consideration, and the latest publication of the Indo-German Chamber of Commerce on the subject should be found helpful by all Indian exporters of medicinal plants. The market report gives detailed information on the German market for medicinal plants, including import and export statisics, trade and tariff regulations and trade channels, and also gives a list of importers. The 616-page publication is availatbe at all offices of the Chamber in Bombay, Delhi, Calcutta, Madras, Bangalore and Dusseldorf at a price of Rs 35; for members of the Chamber one free copy on request.

Gujarat Industrial Investment Corpn.

During March 1982, the last month of the financial year 1981-82, the Gujarat Industrial Investment Corporation (GIIC) has sanctioned term loans totalling Rs 7.53 crore, which is a record sum sanctioned by the GIIC in any single month. This sum also exceeds the total amount of loans of Rs 7.47 crore santioned in the whole year 1977-78.

Of the total assistance sanctioned in March 1982, Rs 6.82 crore went to 15 industrial units as term loans and Rs 71 lakh as cash subsidy to six units in backward areas of the State.

Among the major industrial units receiving loans in March 1982 are two mini cement plants, which would be located at Amirgadh and Dhagudia in Banaskantha district, each with production capacity of 200 tonnes per day and costing Rs 7 crore. Both the plants based on rotary kiln technology, will provide substantial impetus to the industrial development of that backward district.

Another major recipient of GIIC term loan is a unit being set up to manufacture the State's first plastic moulded luggage articles like suitcases and briefcases etc. The unit to be located in the notified backward area of Halol in Panchmahal district will cost Rs 1.75 crore.

A third major unit assisted by the GIIC is setting up a plant for manufacture of 20 crore soft galatin capsule at Asoj village in Baroda district. The cost of the project is Rs 72 lakh. Yet another GIIC-aided unit being located at Vapi in south Gujarat, would manufacture formulations in the form of granules and tablets.

The GIIC has extended a term loan of Rs 30 lakh to another unit for setting up a plant for the manufacture of carboxy methyl cellulose at Nandesari estate in Baroda district. Amongthe other units receiving the GIIC aid are those which will produce sulphuric cid, steel and alloy castings, steel billets, ceramic electrics, processed cotton and man-made textiles.

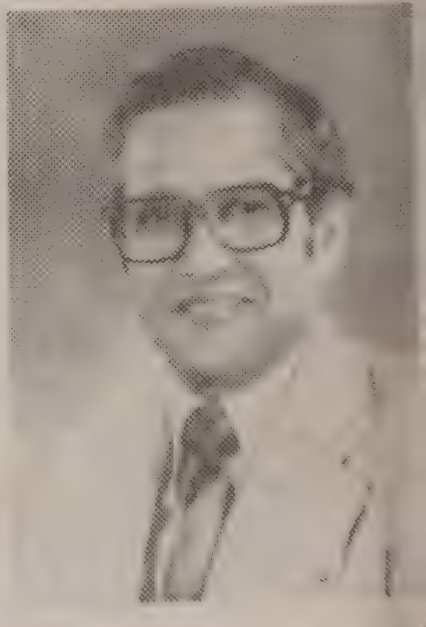
Edible Oils for Public Distribution

The Government has increased the allocation of edible oils through public distribution system to 35,000 tonnes per month for April and May 1982 as against 27,000 to 28,000 tonnes during the period November 1981 to March 1982. The higher allocation is being made with a view to keep the prices of edible oils in the open market under check during the coming lean period. It is proposed to import 10.5 lakh tonnes of edible oils during the oil year November 1981 to October 1982 through State Trading Corporation. Out of this about 4.5 lakh tonnes is proposed to be allocated to the State/Union Territories for public distribution system. About 6 lakh tonnes is proposed to be utilised for the manufac
ture of vanaspati.

Besides, the monthly allo
cation of 35,000 tonne
Ganesh Flour Mills; Delh
a public sector undertaking
is also supplying RBD Pal
molien and refined rape
seed oil in small packs of tw
kgs. and four kgs to th
urban consumers throug
cooperatives and Supe
Bazars at economic price
During April 1982, 400 ton
nes will be supplied in Delh
and 700 tonnes in Bomba
It is proposed to introduc
soon the supply of these oil
in small packs in Madra
and Calcutta as well. Sal
of imported oils in such sma
consumer packs would hel
in removing the doubt i
the minds of metropolita
consumer about the qualit
of oil available in the loos
form in the fair price sho
The supplies will be furthe
stepped-up during main pa
of the lean season, i.e. Jun
July and August and sti
further during September an
October 1982.

Names in the News

Mr Nirbhay Jain, Sr Vic
President of Bombay Manag
ment Association & Associa
tion of Man-Made Fibre Indu
tries, Bombay has been electe



Mr Nirbhay Jain

as Vice President of the
India Management Assoc
tion, New Delhi for the y
1982-83. Mr Jain has b
associated with the Mana
ment movement for over
years.

COMPANY AFFAIRS

Deepak Fertilisers

Deepak Fertilisers and Petrochemicals Corporation Limited is entering the capital market on May 27, 1982 with an issue of 46,00,000 equity shares of Rs 10 each and 150,000—13.5 per cent cumulative redeemable preference shares of Rs 100 each for cash at par to the Indian public. The proceeds of this fully underwritten issue will be used to finance a part of the cost of the company's ammonia project.

The company is promoted by Deepak Nitrite Limited (DNL) and Mr C.K. Mehta. DNL, promoted by Mr C.K. Mehta in 1970 has had an excellent track record. The turnover of DNL crossed the Rs 10-crore mark in 1981 and its profits have shown an upward trend. Besides an uninterrupted dividend record, DNL made two generous bonus issues in the ratio of 4:5 in 1977 and 1 :1 in 1980. For the original investor in DNL, there has been a capital appreciation of nearly 1000 per cent at the current market price. Mr Mehta, the other promoter, has built up a reputation for integrity and business acumen in the chemical trade and entrepreneurship. International Finance Corporation, Washington, an affiliate of World Bank, is participating in the project by way of foreign currency loan and contribution towards equity.

Deepak Fertilisers is setting up a sophisticated plant to manufacture 972 MT per day of anhydrous liquid ammonia at Taloja, near Bombay. This is the first private sector ammonia plant based on Bombay High Gas. The total cost of the project is estimated at Rs 55.35 crores, to be financed by equity capital of Rs 1,150 lakhs, preference capital of Rs 150 lakhs, rupee term loans of Rs 2,781 lakhs and foreign currency loan of Rs 1,454 lakhs.

Apart from the infrastructural facilities available at Taloja the plant location has the unique advantage of being in the proximity of both the source of raw material and the market for finished product.

Expert Design

The process design and detailed engineering is being provided by Fish International Engineers Incorporated, USA (FISH), who, to date, have to their credit successful execution of projects worth over US $2 billion. Two identical capacity plants, designed by FISH, are operating successfully in the USA. This plant is guaranteed for rated capacity utilisation by FISH. The major items of imported and indigenous machinery are supplied by reputed suppliers.

This is the first merchant ammonia plant with flexibility to cater for both fertilisers and industrial consumers. The company is undertaking a unique scheme to popularise the use of ammonia as a fertiliser by direct application on crops. Trials have been conducted on certain crops and the results are encouraging. At full capacity, the company will produce annually 90,000 MT of ammonia which will meet only a portion of the growing demand in the country. The project is in the advanced stage of implementation and is expected to go on stream by the end of 1982.

Kaktiya Cements

Kaktiya Cements Ltd, a new company, entered the capital market on May 3, 1982 with an issue of 10,80,000 equity shares of Rs 10 each at par. The issued and paid-up capital amounts to Rs 72 lakh.

The company is setting up a cement plant at Dondapadu village in Huzurnagar tehsil of Nalgonda district in Andhra Pradesh, a notified backward area. The plant has a licensed capacity of 66,000 tonnes of cement per annum based on preheater dry process technology. The location is close to areas with limestone deposits and has infrastructural facilities.

The company is promoted by Mr Venkateswarlu and the Andhra Pradesh Industrial Development Corporation (APIDC). APIDC is investing in the equity of the company to the tune of Rs 27 lakh or 15 per cent of the total equity after the public issue.

Associated Cement Companies Ltd (ACC), Bombay, are the technical consultants for the project. In consideration of consultancy service, the company will pay ACC Rs 27.50 lakh.

The total cost of the project is estimated at Rs 580 lakh. This is proposed to be financed by share capital of Rs 180 lakh, term-loans (Rs 385 lakh) and the Central subsidy (Rs 15 lakh).

Samtel India

Samtel India, a new company promoted by Teletube Electronics (P) Ltd is setting up a Rs 4.5 crore project at Bhiwadi in Alwar district of Rajasthan to manufacture 3 lakh TV picture tubes annually.

The project, the foundation-stone of which was laid on April 25, is expected to go into production in June, 1983. In 1984-85, the production will be increased to 4.5 lakh pieces. The company has also plans to make colour TV picture tubes in the second phase.

The project is an import substitution. In the current year the Government will be importing 1.5 lakh TV picture tubes. With the opening of more TV stations in the country, demand for picture tubes is bound to go up.

The promoter company is manufacturing more than one-third of the country's total picture tube production. Since its inception in 1973, the production growth rate for the last three years averages 72 per cent.

Central Bank of India

The Central Bank of India, which claims to be at the top of the list of commercial banks (except the State Bank of India) in respect of the number of branches and at number two in terms of deposits, has covered four significant milestones in its 70th year of life (1981): The branches have crossed the 2000 mark (2057), deposits Rs 3,000 crore, deposit accounts one crore and borrowers in the priority sector 10 lakh.

Chairman and Managing Director, Mr B.V. Sonalkar, has said recently that despite several adverse factors and items of additional expenditure, the bank has made a higher net profit of Rs 3.73 crore in 1981 against Rs 3.60 crore in the previous year. Recoveries have improved and some of the sick accounts regain healthy. The bank has plans to open 100 new branches at home and three abroad in the current year. In the first three months of 1982, the growth trend has been maintained and while the banking system has recorded a decline, "deposits continued to grow".

United Diamonds

United Diamonds which made a public issue of 608,000 equity shares in November last, has proposed a handsome maiden equity dividend of 21 per cent for the year ended March 1982 in the wake of excellent results. The company has earned a gross profit of Rs 67 lakh on a turnover of Rs 1.35 crore, which is almost 50 per cent of sales. After providing Rs 10 lakh for depreciation and Rs 4 lakh for investment allowance reserve, the surplus available is Rs 53 lakh. The equity dividend will absorb Rs 12.74 lakh. A sum of Rs 6 lakh has been transferred to general reserve and after adjustments, Rs 62 lakh have been adjusted against the brought-in loss.

Production of watch jewels in 1981-82 was at over 100 per cent capacity and sales were 19.5 million against the installed capacity of 15 million. The company's first phase of expansion from 15 million watch jewels per annum is nearing completion. Following the installation of further machinery, the company's production was 2.7 million jewels in March, 1982 which is expected to be further augmented in the coming months. Orders on hand—mainly from HMT—are for the supply of 15 million jewels during the first six months of the current year. The company plans to diversify further into industrial jewels and watch mainsprings. If all goes well, the diversification scheme will be completed by March 1983.

Speciality Papers

Speciality Papers has earned a lower gross profit of Rs 5.89 lakh on sales of Rs 1.39 crore during 1981 against Rs 10.70 lakh on sales of Rs 1.28 crore in the previous year. After providing Rs 4.89 lakh (Rs 4.69 lakh) for depreciation, Rs 82,000 (Rs 1.55 lakh) for investment allowance and after making some adjustments, there is a surplus of Rs 1.83 lakh, which has been carried forward.

The lower profit is attributed to the increase in the cost of coal, power, chemicals and other inputs without any appreciable increase in the capacity. The production of the company's pulp increased by 60 per cent thereby helping it to maintain the economy of raw material cost.

Efforts are being made to finalise the order for wire part in order to change the existing method of producing paper from cylinder mould to four denier section, which would help the company to improve the quality and quantity of its product. Efforts are being made to procure this machinery indigenously.

Indian Rayon

Indian Rayon Corporation proposes to extend the redemption date of its 23,689 'C' series 11 per cent redeemable cumulative preference shares of Rs 100 each from June 30, 1982 to June 30, 1994 and to raise the dividend thereon to 13.5 per cent. If any of the preference shareholders does not agree to extend the redemption period as proposed, the company will redeem the preference shares, held by such holders. This is considered essential since the company is in need of funds for implementation of its various programmes of modernisation and diversifications.

Sylvania and Laxman

Sylvania and Laxman has fared well in the first six months of the current year ended March, 1982. Sales have gone up by about 30 per cent to Rs 12.23 crore for the first half of 1981-82 from Rs 9.38 crore in the corresponding period last year. The pre-tax profit has risen to Rs 198.80 lakh from Rs 141.84 lakh. The company has not proposed any interim dividend though the past losses have now been cleared.

Sundaram Finance Ltd.

Sundaram Finance Limited has come out with a final dividend of ten per cent for the year ended December 31, 1981. With the interim dividend of ten per cent paid in February, the total dividend for the year is 20 per cent, same as last year. Payment against hire purchase documents rose to Rs 36.63 crore from Rs 27.41 crore last year, an increase of 33.6 per cent. Consequently, the stock-on-hire went up to Rs 62.96 crore from Rs 47.05 crore. The company commenced leasing business in the latter half of 1981 and the value of machinery for which contracts were concluded amounted to Rs 71.20 lakh. Deposits increased to Rs 35.46 crore from Rs 26.28 crore. Interest on loans amounted for Rs 539.77 lakh (Rs 360.76 lakh) and administrative expenses Rs 144.63 lakh (Rs 101.01 lakh). Depreciation was higher at Rs 30.30 lakh against Rs 8.30 lakh previously. After providing for taxation, including surtax of Rs 177.40 lakh (Rs 149 lakh) the amount available for appropriation is Rs 116.53 lakh (Rs 94.44 lakh—inclusive of Rs 5.43 lakh excess tax provision relating to earlier years). Investment allowance reserve gets Rs 6.13 lakh (nil). A sum of Rs 70.40 lakh has been transferred to general reserve against Rs 54.44 lakh previously taking the total reserves, including investment allowance reserve to Rs 303.23 lakh. The company has issued bonus shares at the rate of one for every two held, raising the capital to Rs 3 crore.

Sri Ramakrishna Mills

Ahmedabad Sri Ramakrishna Mills Co has shown satisfactory working results for 1981. The gross profit has increased to Rs 35.89 lakh from Rs 23.03 lakh in the previous year. The total sales have risen to Rs 13.40 crore from Rs 11.37 crore in the previous year. The dividend has been stepped up to Rs 1.20 per share as against Re one paid in the preceding year.

Searle (India)

Searle (India) has fared better during 1981 with its gross profit moving up to Rs 1.68 crore from Rs 1.28 crore for 1980. Sales have increased to Rs 10.39 crore from Rs 7.25 crore.

The directors have proposed a final dividend of eight per cent which together with the interim of 15 per cent makes a total of 23 per cent against 22 per cent for 1980.

Its after-tax profit amounts to Rs 19.16 lakh (16.17 lakh) for depreciation and Rs 77 lakh (Rs 52 lakh) for taxation. A sum of Rs 45.57 lakh is transferred to the general reserve.

DIPLOMA COURSE IN INDUSTRIAL SAFETY

Applications in the prescribed form are invited for admission to the one year sandwitch type Diploma Course in Industrial Safety commencing on 12th July, 1982, at the Central Labour Institute, **Bombay** and on 18th July, 1982 at the Regional Labour Institutes, **Calcutta**, **Kanpur** and **Madras**.

PATTERN OF STUDY : The course includes two terms of full time study of a total duration of 3½ months with a period of about 4 months in between when project work is to be undertaken, generally in the factories in which the candidates are employed. Some seats are reserved for SC/ST candidates, as per Government Rules.

Minimum qualifications : (i) Recognised diploma in any branch of engineering and/or technology or a recognised degree in Physics or Chemistry, and (ii) two years experience of industry in the maintenance/manufacturing safety department, or in a research/training/educational institution in the field of Industrial Safety, or in a Government department in the administration of any safety legislation.

Fee : Rs. 1,000/- payable in advance. Limited hostel facilities are available at each Institute.

Applications accompanied by attested copies of certificate should reach the Deputy Director (Engg.) Safety Centre, Central Labour Institute, Bombay-400022 latest **by 24th May 1982.** Application form and the brochures giving details of the course can be had from him on written request. The candidates should indicate the choice of the Institute in which they wish to be enrolled, if selected.

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This Week

May 5

Poland's martial law authorities clamped down curfew and other restrictions amid fresh reports of renewed rioting in the north-west Baltic port area.

The agitation over the foreign nationals issue in Assam is proposed to be intensified by AASU after a three-month respite with a 24-hour bandh.

May 6

The Indian rupee became cheaper by five paise against the pound-sterling. The middle rate came to Rs 16.85 from Rs 16.80.

Bharat Heavy Electricals Limited has drawn a 10-year perspective plan envisaging an output of Rs 3,000 crores by 1990.

May 7

The Prime Minister, Mrs Indira Gandhi, squarely blamed the Left Front Government in West Bengal for inciting violence and political murders in the region and stated that, if need be, she would deal with the situation constitutionally.

The pound-sterling became costlier by five paise. The middle rate was fixed at Rs 16.90 per pound against earlier Rs 16.85.

The Government increased the interest rate of the Employees' Provident Fund from 8.5 per cent to 8.75 per cent per annum for the fiscal year 1982-83.

May 8

Declining for the third straight week the internal wholesale price index for the week ended April 24 came to 273.3 showing an inflation rate of —0.5 per cent.

The President, Mr Sanjiva Reddy, on a visit to Yugoslavia, suggested cooperation among developing countries in the field of education and pooling of technical know-how to check brain-drain.

The Deputy Governor of Reserve Bank, Mr A. Ghosh, advised industrialists to gradually reduce their dependence on banks for meeting their credit needs.

May 9

Argentine military leaders stated that British forces carried out a two-pronged sea and air attack on the Falkland Islands which had been beaten back.

A huge investment of Rs 1,000 crores is proposed to be made over the next decade for economic development in the Chhatisgarh region of Madhya Pradesh.

Delhi and Bhatinda will be air-linked through Vayudoot.

May 10

Pound sterling became costlier by five paise. The middle rate was fixed at Rs 16.95 against the earlier rate of 16.90

The public undertakings committee for Parliament has suggested to the Government to put a limit on the powers of the public sector undertakings to borrow money especially in foreign countries.

May 11

Argentina threatened to shoot at any British airline or ship in the South Atlantic headed for the Falkland Islands combat zone or those which that country regarded as a threat to its security.

Poland announced that it had expelled two American diplomats caught receiving documents from a Polish scientist previously interned under martial law.

The Chief Election Commissioner, Mr S.L. Shakdher, stated that he had ordered for the placing of more Central forces at the disposal of the West Bengal Government to remove apprehensions about the law and order situation in the State during the coming election.

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ECONOMIST

Surplus, Surplus Everywhere

WHATEVER HAPPENED to the bad old days of universal shortages ? Newspapers in the last week or so have been full of the problems of plenty. Cement, which was expected to be in short supply for up to five years, is now gushing out of factories at such a pace that the Cement Manufacturers' Association has been forced to cut the open market ceiling price from Rs 70 per bag to Rs 60 per bag. Sugar production has crossed 71 lakh tonnes and is heading for an incredible 80 lakh tonnes (against pre-season estimates of barely 65 lakh tonnes). The textile industry has needed a four-month strike in Bombay mills to dispose of inventories, and even so textile prices have not looked up appreciably. Fertiliser production has shot up, saddling producers with such huge stocks that they now lack the working capital to pay their raw material suppliers. Paper manufacturers have not stopped complaining of recession. Tractor and truck manufacturers are unable to sell growing inventories thanks to the credit squeeze which has hit the financing of fresh sales. Refrigerators and airconditioners are in the doldrums. The open market price of steel rods and bars has crashed by Rs 1000 per tonne compared to a year ago, and there is also a glut of flat products.

The spokesmen of the private sector have been uttering gloomy prophecies of recession. They complain bitterly of the credit squeeze, which they say is the biggest single factor inhibiting production. These two complaints seem to contradict each other. If indeed there is a recession—which means that demand has fallen—why do they want to increase production? The logical entrepreneurial response to falling demand should be to cut output and look to exports to help get rid of inventories. This process needs less credit, not more credit.

Where does the truth lie ? The fact is that industry does indeed need credit urgently, but not for production. It needs credit for holding inventories. This is considered a very wicked thing indeed by the Reserve Bank, which has for three years been trying to squeeze credit and discourage the creation of hoards. Having succeeded at last, it is not in a mood to reverse its policy quickly. It recognises the need to liberalise credit, but is doing so most gingerly.

The RBI needs to change its outlook for the simple reason that economic conditions have changed. The building up of inventories in a time of shortages is certainly undesirable. But in a time of plenty, when industry is unable to sell its output, the financing of inventories can be economically desirable. It is an important function of bank finance to nurse industries through a temporary bad patch.

Of course, industries must do their bit too. It is untenable for them to demand unlimited credit for unlimited production which, in the circumstances, leads to unlimited inventories. Firms which have misjudged market condition must cut back on production to lessen inventories and credit requirements. Some companies in industries where capacity is out of line with long-run demand—as is true of many textile units—need to close down permanently. The rest must get used to the idea of managing their finances much better, and of re-ordering production patterns. Industry has for too long ecome used to the notion that its main job is production, nd that sales are automatic. This notion has been engendered y long periods of scarcity. Now that the era of shortages s giving way to surpluses, at least in some sectors, it is time for anagements to shake themselves up and improve their ficiency. Mr Prakash Tandon is a former Chairman of Hindus- an Lever as well as the Punjab National Bank, and has seen e credit question from both sides of the table. His con- lusion is that industry makes very inefficient use of credit, and hat better financial practices will enable a much larger volume f output with a much smaller use of bank finance. Dr Arun Ghosh, in his Ajit Bhagat Memorial Lecture, has shown normous differences in fuel and raw materlal consumption er unit of output for different companies in the same ndustry. Better production management quite automatically neans a reduced credit requirement.

An era of surpluses is never popular with businessmen. t means that margins are under pressure, that considerable resh efforts have to be made in marketing and financial management, and that costs must be cut to the bone. But it is these very conditions that are necessary for a competitive economy in which there is a relentless drive for higher productivity. A study by the Federation of Indian Chambers of Commerce and Industry recently showed that the capital output ratio has virtually doubled in the last three decades. This is due substantially to the inefficiency of the growing public sector. But the private sector cannot shirk its share of the responsibility. Why, for instance, is India able to export long staple cotton at a profit, but cannot convert the cotton into superfine cloth for export despite the availability of cheap labour ? The answer is that our textile industry is simply not modern and efficient enough to do so. Some mills have modernised and are exporting cloth. But they are exceptions.

It is perhaps too much to hope that the current surpluses will last very long. We have seen such surpluses before which turn into the severest shortages within a year or two. But if in these couple of years there is a new drive towards efficiency, productivity, marketing, exports and financial management, then we will at least be able to claim that we have learned from our past mistakes.

IRDP: Structural Weaknesses

THE RECENT evaluation by the State Secretaries' Conference of the poverty-alleviation integrated rural development programme, extended to all the over 5,000 administrative blocks in the country on October 2, 1980, has revealed that even though there has been some improvement in implementation, the progress has left much to be desired. This is notwithstanding its inclusion in the revised 20-point programme. The Central grants-in-aid as well as the State allocations for the IRDP admittedly were stepped up last year by 55 per cent and 20 per cent, respectively, over the previous year to Rs 128.45 crores and Rs 153.34 crores. But releases by the State Governments fell short of the allocations by five per cent. Progress was encouraging only in the State of Andhra Pradesh, Haryana and Tamilnadu, and somewhat satisfactory in Madhya Pradesh, Punjab, Rajasthan and Goa, Daman and Diu. It was unimpressive in most other States, particularly Uttar Pradesh and Bihar. The percentage of the scheduled castes and scheduled tribes beneficiaries in the total was around 34. Though better than the 30 per cent in the previous year, it was significantly less than the target of 50 per cent. The total coverage of 2.5 million beneficiaries compared unfavourably with the previous year's figure of 2.7 million. A significant improvement effected in the programme, of course, was that the investment per beneficiary was raised to around Rs 3,000 from Rs 1,294 in 1980-81. Emphasis was also placed on the creation of the long-term assets.

Attempts are to be made during the current year to enlarge the programme further. State allocations have been increased by 33 per cent, with a corresponding step-up in the Central grant-in-aid. Bank credit will be mobilised to a larger extent: the programme has been kept out of the credit squeeze. Another major endeavour proposed is the grant of approval for loans at the doorsteps of the beneficiaries. Yet it remains to be seen how far implementation can be speeded up. As the deliberations of the State Secretaries disclosed, the programme suffers from major structural constraints. The administrative machinery at the block and district levels requires substantial strengthening. The staff involved not only needs to be adequately trained but also kept in place for reasonably long durations. Frequent staff transfers, many a time politically motivated, can play havoc with the programme.

The identification of the beneficiaries is said to be quite defective at present, thanks again to political interference. There is no proper check on the recovery of loans extended. Recoveries have been reasonable only in limited cases. A concurrent evaluation of the programme, as suggested by the State Secretaries is a wholesome step towards this end. Efforts ought to be concentrated over reasonable numbers of beneficiaries instead of disbursing funds thinly over large numbers. A better co-ordination is called for in the implementation of the IRDP and the minimum needs programme. The implementation requires to be properly phased to obviate bulk releases of funds towards the close of the year. The need for infrastructure back-up and establishment of proper linkages at the concerned administrative levels as well cannot be over-emphasised.

Dry Thoughts

BIGAMY IS illegal. But when it comes to political constituencies it is high fashion. Mr K. Karunakaran, would-be Chief Minister of Kerala, is contesting two Assembly seats in the coming State election to be quite sure that he gets elected. He is doing no more than Mrs Indira Gandhi, who contested the general election of 1980 from both Rae Bareli and Medak. She chose Rae Bareli as her old constituency where people understood her perfectly, and Medak as a Telegu constituency where nobody understood a word of her Hindi (which, apparently, was a decided advantage).

This is a country where the Vedas are revered as the ultimate in wisdom, although they are written in Sanskrit, a language which very few people know. It would seem that God-like reverence is more easily accorded to those who speak in an unknown language—there is less chance of their being found out. And Mrs Gandhi's political attractions are enhanced by an aura of divinity, make no mistake about it. She is called Devi, more especially by those who do not understand Hindi. She has certain disadvantages compared to the Gods, who luckily did not have to fight elections. But when she indignantly accuses the opposition of opposing her—she apparently feels that this is not what opposition should do—it sounds very much like the Devas asserting that they have a divine right to rule, and that only the wicked Asuras think otherwise.

It must be noted that Mrs Gandhi behaves more like a Deva than a Devi. The status of Devis in the Puranas was poor, more reminiscent of Maneka than Indira. They were expected to toe the line of their elders and menfolk, eschew notions of power, and be the embodiment of virtue. By contrast the Devas had a whale of a time and could indulge in all sorts of peccadilloes without affecting in the least their divine status. Mrs Gandhi is not regarded as the embodiment of virtue by voters. They know fully well that corruption has reached unprecedented heights since she came to power, that she resorts to all sorts of stratagems and unprincipled alliances to attain her political ends. But just as the Devas were entitled to indulge in human weaknesses and play dirty tricks on the Asuras, so too the electorate looks indulgently at Mrs Gandhi's performance.

It is possible for even the Devas to go too far. The King of the Gods, Indra, was more than once cursed with terrible afflictions by rishis outraged by his excesses. Mrs Gandhi too felt the lash of such outrage in the 1977 election. But Indira, like Indra, was later forgiven and returned to rule.

The Gods could simultaneously assume a thousand shapes. Krishna could consort with all the Gopis at the same time. Alas, the Election Commission will not permit a political version of this. A candidate may indeed woo any number of constituencies at the same time, as Krishna does in the Ras Lila. But ultimately he can represent only one constituency, no matter how many he wins in the election. He has to abandon all the other constituencies, no matter how popular he may be there.

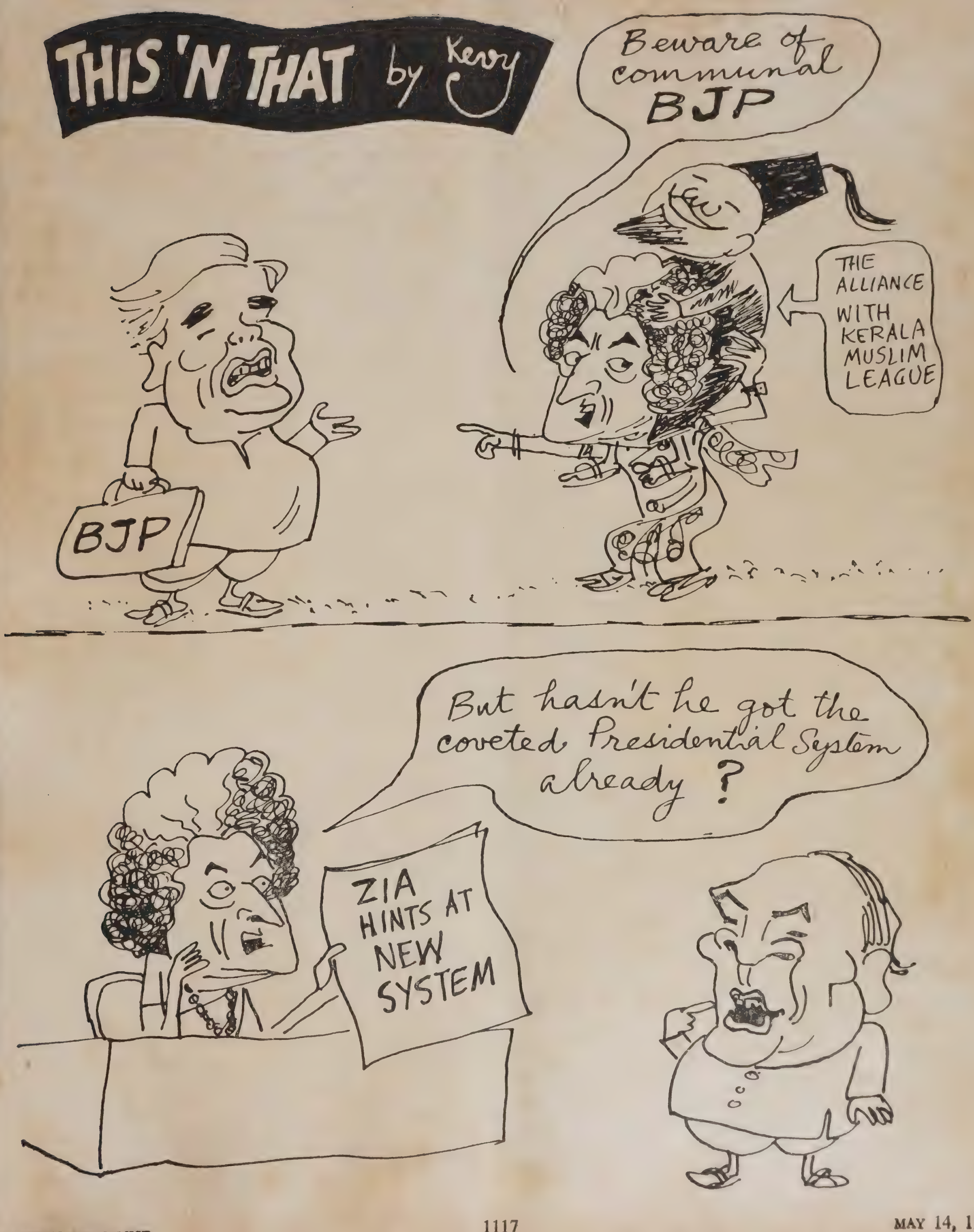
Clearly the Election Commission is ignorant of the divine nature of our politics. Krishna was permitted to marry over one thousand wives. Why should a politician not be permitted to represent one thousand constituencies? No doubt, the politician will not be able to devote much time to each of his thousand constituencies. But for that matter Krishna did not devote much time to each of his thousand wives. Indeed, he spent most of his time frolicking with Radha. Yet it did not affect his popularity or divinity one bit.

Just imagine what heavenly peace would descend on the political scene if our election laws were amended suitably. Mrs Gandhi would solve the problem of factionalism at one stroke by standing for all the Lok Sabha and Assembly seats herself. Mr Charan Singh would do the same, and so would Mr Jagjivan Ram and a few others. Only a few misguided souls would retain the party structure. Hence the number of people actually sitting in Lok Sabha and Assemblies would be reduced to a handful. There would be an enormous reduction of expenditure on the salaries, housing and other expenses of legislators. There would no longer be the standard exercise of trying to topple Chief Ministers, as Mrs Gandhi would be the only Congress MLA and only Congress Chief Minister. She would, of course, delegate actual powers to others, and put the blame on them if anything went wrong.

In such a system there would no longer be lengthy debates in Parliament as Mrs Gandhi would speak for 360 odd members and Mr Charan Singh for 30 odd. The saving of Parliamentary time would cut costs tremendously. In such a system Mrs Gandhi could honestly express her reservations about certain policies—she could cast 250 votes for and 100 votes against the same bill, and throw in a few abstentions. She could vote for compulsory Hindi as a representative of Uttar Pradesh and vote against it as a representative of Tamilnadu. She could complain of discrimination against Sikhs as a representative of Punjab and complain of Sikh extremism as a representative of Haryana. We must have appropriate electoral reform in the land of the Vedas.

—**Swaminathan S. Aiyar**

THIS 'N THAT by Kevy


Beware of communal BJP
THE ALLIANCE WITH KERALA MUSLIM LEAGUE
BJP
But hasn't he got the coveted Presidential System already ?
ZIA HINTS AT NEW SYSTEM

Learning to Live with Science and Technology—I

Jayant V. Narlikar

THE RAPID growth of science and technology on various fronts was illustrated in a dramatic fashion by Alvin Toffler in his book "Future Shock". Toffler's description may be briefly paraphrased as follows. Divide the past period of 50,000 years, over which human history is traceable, into 800 human 'life-spans'. Thus each life-span is of 62½ years which we may consider a typical length of human life. How has man developed over these 800 life-spans? That his rate of development has not been uniform is seen by the following data.

Of the 800 life-spans the first 650 were spent by man dwelling in caves. Thus for the first 80 per cent or so of the period of documented history, man was in an uncivilized state. Taking the art of writing as a sign of culture we can argue that man has been in this state for the last 70 life-spans. While writing is a means of recording one's thoughts and experiences for prosterity, printing, requires technology and it ensures that the writing is made available to a larger readership. This technology has been in existence over the last 6 life-spans only.

Various Life Spans

Watches measuring small time intervals became available in the last *four* life-spans while the electric motor which is so useful and indispensable now-a-days came into existence only in the last *two* life-spans. In fact an urbanite today can verify that most of the items and gadgets he uses in his daily life owe their origin to the *last*, the 800th, life-span. The electronic computer was developed in the last half life-span while the space age began only a third of the life-span ago.

Another way of highlighting the rapid growth of science and technology is to ask this question : "What fraction of all the famous scientists and technological inventors from the early history of man to the present day, are alive today?" The answer, by my reckoning, would be : "Well above 75 per cent".

This rapid growth of science and technology has placed strain on our society. Imagine a person attending a feast of delicious food, being tempted to eat all food items very rapidly. He will naturally find the experience discomforting to say nothing of the subsequent strain on his digestive system. Likewise, although science and technology offer us numerous goodies, these offers are coming so fast that the recipients are put under considerable pressure. There is an obvious need to react to the situation in a rational rather than in an emotional way.

Universal Problem

It is worth enphasising that the problem is not confined to developing countries like India. It is being faced, perhaps even more acutely, in the developed countries also. In India, we have an additional factor to consider, viz : the heterogeneity of mode of life. We have the bullock cart side by side with the jet plane, road-side astrologers and palmists side by side with space scientists, exorcists side by side with advance researches in medical sciences, to say nothing of the grave disparity in the standards of living of the rich and the poor.

One solution to the above problem might be to have nothing to do with science and technology. It is tempting to argue that by turning our backs to science, by going back to the simple ways of nature we will restore tranquility to human society. Indeed many, especially in India, do argue this way. They point to the breakdown in the accepted moral order in the highly industrialised countries of the West, and exhort us to abandon the track of science and technology followed by these countries.

To me this appears a defeatist attitude. We do not advise a patient to abandon the medicine just because he finds i bitter. To carry the analogy further medicines come in various forms and types. It may happen that a course of medicine has to be abandoned if it proves ineffective. There are also medicines which cure the main complaint but cause side reactions. Such medicines are continued for their therapeutic value while side reactions are controlled by other medicines. With science and technology we are in this last category. We have to find ways of controlling harmful side effects from the use of science and technology—side effects which I will discuss later—because its main effect can be very beneficial to human life. To abandon the traek of science and techology for fear of the side effects would be extremely short-sighted.

Ancient Devices

Indeed, if history is any guide we will find that appreciation of science and technology has always paid off in the long run while a non-recognition of its existence and implications has proved to be short-sighted. In the ancient days there are several stories of the ingenious devices used by Archimedes. His screw for lifting water, his deployment of levers for moving weights, his use of gigantic pulleys to pull up the enemy ships are examples of what science and technology can do to help those who want to use them. In the early days of industrialisation in England, the steam powered railway engine encountered a lot of opposition, largely from those who had irrational fears of steam power. Gradually, however, the railway train pulled by a steam engine became an accepted mode of transport of human beings as well as of freight.

We, in India, paid a heavy price for not appreciating the value of science and technology at a time when it was beginning to flourish in Europe. It has always been a mystery to me that whereas arts, chitecture, literature and music urished in this country and found royal atronage at various levels, science re- ained unknown or unappreciated. Vhy did this happen? Did it happen r lack of contact with the West? In he much earlier epochs of Aryabhata nd even Bhaskara, such contacts were ot uncommon and astronomy had ourished as a science, thanks to interhanges of ideas between, China, India, rabia and Greece. Somewhere along he line this tradition appears to have roken down. But it is difficult to elieve that from the seventeenth century nwards, India was isolated, newswise, rom Europe.

Why did not India have its own cientists? Why did the mighty Moghal mpire which produced a Tansen and Taj Mahal, fail to produce a Newton or a Faraday? The argument that India was riddled with wars and that life was nsecure, does not hold water. Europe n those days had its fair share of wars. Living conditions in Europe were no more secure than in India. Again, I feel the reason must lie in an apathy towards the new ideas that science was bringing in Europe. The word 'apathy' is supposed to include ignorance as well as lack of urge to learn. Historians of science should provide us with a more comprehensive assessment of the situation than what I have sketched here.

Inferior Armaments

The fact remains, however, that in the days of the expansion of the British and the French empires our kings had to rely on inferior armaments or on what the British or the French chose to supply, often at heavy price. Although history books tell us about the British diplomacy of divide and rule which led to the spread of British domination in India, I feel that even if the British had not come, India with its non-existent store of science and technology would have fallen prey to some other technological power. By turning our backs to science now we would be repeating the mistake of our forefathers.

Let us turn our sights from the past to the future. What benefits do we expect from science and technology if it is allowed to continue its progress unabated? Shortage of time prevents me from indulging in futurology to the extent that I would have liked. Let me therefore select a few areas which are going to play key roles in the future development of our society. Here again, the list is only a partial one from what I could have chosen.

a) **Energy Sources:** The twentieth century will go down in history as the period of the rise and fall of oil as the main source of energy. Experts disagree in the extent to which oil will continue to be the main source of energy in the future. Indeed oceans may reveal vast oil reserves which a future technology can tap. Nevertheless the geographic location of oil reserves will necessarily raise political questions. To avoid these man has to took for other sources of energy. Two means suggest themselves.

Nuclear Fusion

One is the source from nuclear fusion. Unlike the fission reactors which require special fuels, thereby raising political issues of supply, the fusion reactors would work on heavy hydrogen which is commonly available in sea-water. It is hoped that the technological problems involved in the construction of a viable fusion reactor will be solved in the next two or three decades to enable man to tap this vast resource of energy.

The other source of even greater abundance of energy is the sun. The amount of energy which daily falls from the sun on the earth in the form of sunlight is immeasurably greater than the daily energy needs of all human population today. And this energy source is expected to continue for hundreds of crores of years, according to the astrophysical estimates. Here then is the ideal energy reservoir right at our doorstep. Can we tap it?

Solar energy is being used by us directly, as well as indirectly. When we dry our clothes in the sunlight, when we burn wood from trees for fuel we are benefitting from solar energy. Yet these uses are like using drops from oceans. Can we achieve a greater efficiency in the energy tapping process?

b) **Space Technology :** The answer to the above question is very likely to come from man's conquest of space. Up above the earth's atmosphere, can we station a gigantic receiver which would collect sunlight, convert it into electrical energy and beam it to earth based distribution centres? The suggestion appears too outrageous to be put into practice : but then going to the moon was also once part of science fiction rather than practical science! The technological expertise needed is not beyond human ability. The costs are stupenddous : they have been estimated but are probably unrealistic since the value of money is very difficult to predict even for a short term future. It is pointed out, however, by the protagonists of this project that most of the costs are capital costs. The production costs are negligible by comparison since the Sun does the energy production free !

A modest beginning towards space technology has been made. The spacecraft Columbia has shown how it is possible for man to return to earth in a controlled fashion and to reuse the spacecraft for future flights. Laboratories in space are now a reality. From laboratories to workshops is the next step.

Possibilities in Space

Working in space in near-vacuum and away from the domination of earth's gravity is going to herald new technologies. Huge structures can be erected in space from light materials, new alloys and welding processes are possible in the near-vacuum of space, even medicines of a new kind could be made.

These are long-term achievements to come in future. The SITE programme has already shown what can be done for mass education of rural population in remote and inaccessible areas. Indeed, man-made satellites have in a short period brought about dramatic improvements in communications technology.

c) **Biological Technology:** An entirely new area is opened up recently by the experiments in genetic engineering. In a certain sense bio-technology is even older than the conventional technology based on physical sciences. It was known 6000 years ago when the ancient Egyptians used yeast to make bread. Fermentation to make wine, the making of cheese are also examples of bio-technology.

In these age-old examples microbes were used to achieve certain chemical changes. In contrast to the chemical processes in man-made factories which often require conditions of high temperature and pressure these biological processes take place at normal temperature and pressure. The industrial revolution tilted the balance away from these gentle biological processes because of the availability of cheap fuel. Now, with fuel becoming dearer day by day bio-technology is becoming competitive and even more attractive especially when aided by genetic engineering.

In genetic engineering the possibility has emerged that genes carrying specific instructions can be planted on microbes who then carry out those instructions more efficiently. Thus the human growth harmones and the valuable insulin can be produced through the implantation of genes in Escherichia coli bacterium.

Practical Applications

Although the subject is hardly a decade old, genetic engineering holds out hopes for numerous practical applications. Nitrogen fixation in plants would enable them to absorb nitrogen directly from the atmosphere rather than to depend on fertilizers in the soil for a supply. Microbes can be used to manufacture drugs which are now-a-days made by conventional technology. What is more, new types of drugs not possible by conventional means are likely to be made biologically. Many of the poisonous pollutants in industry may eventually find bacteria to 'eat' them and thus to remove them from our environment. Indeed, the advocates of genetic engineering argue that so far as the use of this research is concerned the only limitation is of human imagination.

d) Computerization: I would be failing in my review if I did not mention the rapid growth in the computer/microprocessor field. During the post-World War II period, while many scientific experiments *grew* in size, while the astonomers built *bigger* and better telescopes, the progress in electronic computers has been towards *miniaturization*. A small desk-top machine today can do a neater and faster computing job than the huge systems made of vacuum tubes which filled up large size rooms only three decades ago.

Naturally the 'magic chip' which heralded this revolution has led to the spread of the computer to industry, banking, information handling and many other areas in our day to day life. The day of the home computer is almost here. The pocket calculators have become smaller and smaller, yet more and more versatile. Time saving, cost-cutting, energy-economizing... these are the adjectives which come to our mind when we talk of such applications of modern electronic inventions.

Domestic Transformation

On a more general note electronics coupled with space technology has dramatically transformed information handling. Arthur C. Clarke's notion of geostationary satellites transmitting messages from one part of the earth to another has become a reality. And future views of communications technology indeed promise more goodies.

The goodies I have been describing, however, come attached with a cautionary note. It is very easy to misuse the gifts of science and end up with disaster. Indeed, it is interesting to note that each of the heads I just mentioned under 'benefits' have also brought in headaches.

Take, for example, nuclear power. While controlled thermonuclear fusion is still a remote goal, science has shown us how to use nuclear energy for destruction. The hydrogen bomb has already been made and coupled with the latest scientific inventions of guided missiles it promises to destroy most of the world with ease. Examples of the Three Mile Island type have shown how cautious one has to be in handling nuclear energy even for a peaceful purpose.

Space technology has also brought in vastly improved and efficient means of spying. Space colonies of the future, if allowed to grow without due control, can easily bring in space-pollution. Living in a zero gravity environment for extended periods may bring in new mental and physical ailments of which we have as yet no experience. For, nature designed and evolved the human body and mind to adapt them to conditions on the surface of the earth. Can man quickly readapt them to conditions so different ?

The Misgivings

People, both scientists and non-scientists, have already expressed misgivings against genetic engineering. Here again, man is tinkering with living systems which have long evolved to their present form under natural laws. Science fiction stories tell us of living organisms prepared in scientific laboratories playing havoc with the course of natural life on earth. Would these fears translate into reality ? Although bio-technology is still in a very primitive stage many Governments have adopted a cautious attitude and imposed fairly rigid controls on the experiments in genetic engineering.

A new ethical question has recently emerged in this field. Some giant drug manufacturing firms have sponsored basic research in genetic engineering and related fields in some of the universities in the USA. The condition imposed, however, is that the results obtained will become the property of the sponsors. Many scientists see the kind of sponsorship as a threat to the concept of free publication of scientific results.

Finally, the benefits of computerisation and automation also mean that man is made redundant. The robot can perform the job more efficiently and economically than man who invented it. How to use the benefits offered by automation without causing unemployment and economic hardship is a problem which will be felt increasingly in the future. Further, even if he is economically well of, man will find himself with more 'free' time. How is he to occupy himself during this spare time ?

I could go on in this vein much longer: but I think these examples will suffice in cautioning us about how to receive new gifts from science and technology.

(*To be continued*)

(This is an extract from the 18th Shriram Memorial Lecture.)

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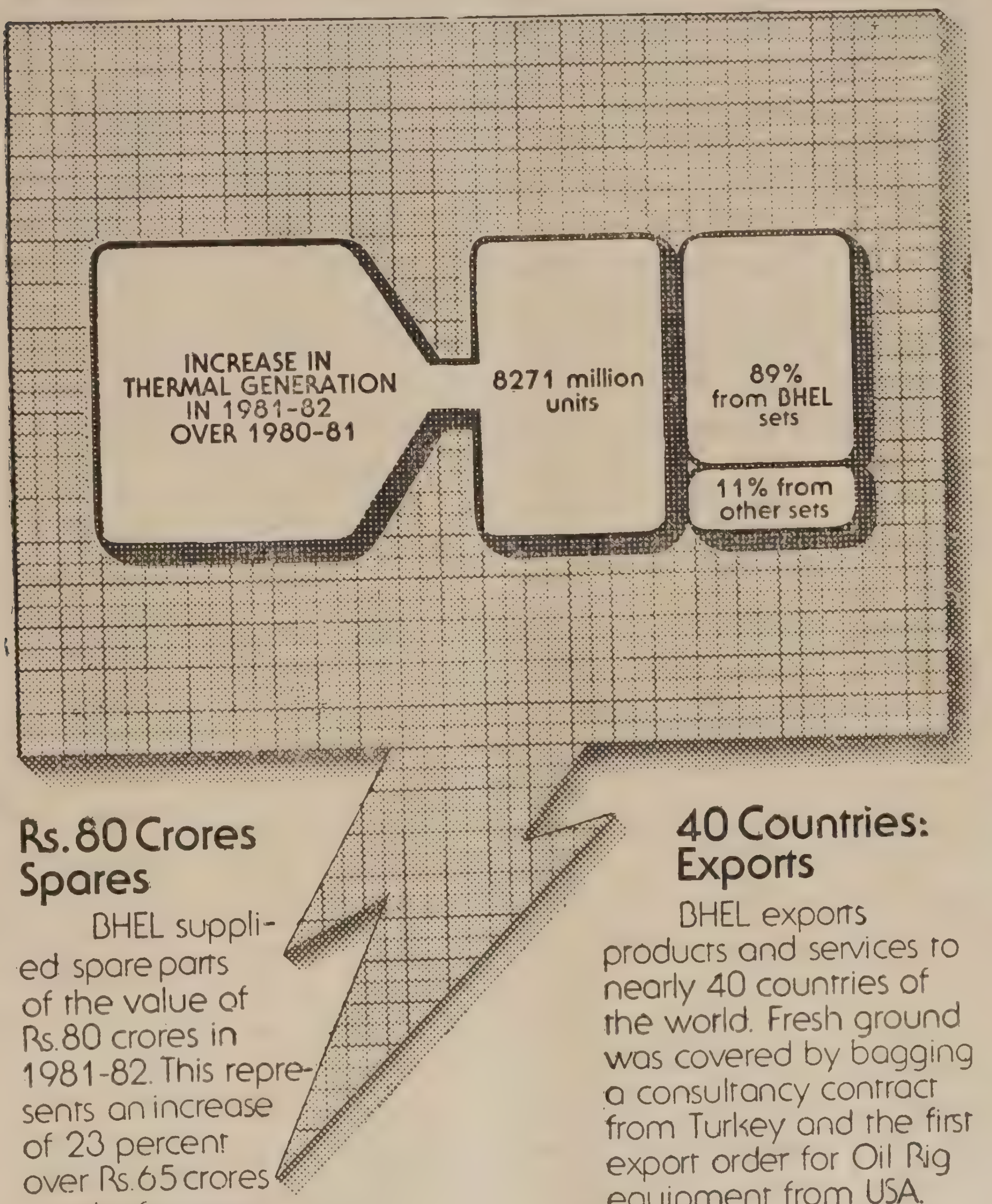
BHEL steps into 1982-83 to serve the nation with new confidence.



Rs. 915 Crores Output

BHEL's output for the year 1981-82 is Rs.915 crores. This is Rs.40 crores ahead of the target of Rs.875 crores. It represents an increase of about 16 percent over the previous year's output of Rs.787 crores.

For 1982-83, an output target of Rs.1100 crores has been fixed.

Rs. 51 Crores Profit

For the 11th year running BHEL continues to earn profits. Pre-tax profit for the year 1981-82 is Rs.51 crores as against Rs.37.5 crores in the previous year.

Rs. 80 Crores Spares

BHEL supplied spare parts of the value of Rs.80 crores in 1981-82. This represents an increase of 23 percent over Rs.65 crores worth of spares supplied in 1980-81. For 1982-83, spare parts supply will be stepped up to Rs.96 crores.

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BHEL exports products and services to nearly 40 countries of the world. Fresh ground was covered by bagging a consultancy contract from Turkey and the first export order for Oil Rig equipment from USA.

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BHEL's 70,000 employees man 11 manufacturing plants, a number of engineering and service divisions and about 100 project sites spread all over the country. This includes 31,000 highly skilled artisans and 13,500 engineers and technicians.

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Economic Analysis

Are Our Laws Anti-Labour ?

Naval H. Tata

IN VIEW of the persistent allegations from trade unions, it is necessary to make a brief survey to find out whether and to what extent our country's labour laws are anti-labour. Let us first look at the job security which is so basic to a worker. It is an indisputable fact that in India no employer can terminate the services of a worker without going through an endless ritual of satisfying several authorities, including a labour court regarding his guilt. No matter how generously the employer is prepared to compensate a worker for terminating the service he cannot do so. Whereas, in most industrially advanced countries, the employer normally carries a right of "hire and fire", in India, the employer must keep his doors wide open even if the workers go on a long illegal strike and refuse to report for work for days. Could such labour law be denounced as anti-labour?

Incidentally, this is exactly the kind of situation which nearly sixty mill-owners in Bombay are facing at the moment. A number of them are haunted by this fearsome thought that they would have to go into liquidation if such a crippling strike like the present one happens to be their hard lot. They have approached me to have their right of terminating the services tested in the court in respect of their employees who have gone on an illegal strike declared as such by the labour court and who have refused to report for work for over three months. Having to pay heavy standing charges with no revenue receipts for three months has ruined most of the marginal and sick units financially. In this state they wish to know their right of closure and liability for retrenchment compensation. They argue and rightly that whereas the job security of the worker has been so clearly spelt out in labour laws, their constitutional right as citizens of this country should equally protect them from financial ruin, resulting from a mistaken ideology that an employer must under all circumstances keep the workers' job alive. Their plea is absolutely valid and their right, if any, must not remain vague any longer.

Now let us turn to the law on closure enacted by the State Government of Maharashtra, which is also sought to be introduced in the Central Act under a recent proposal in the Lok Sabha. Under this provision, no employer can close down his unit without prior permission of and notice of ninety days to the Government. Several attempts have been made in the past to impress upon the Government that an employer, as an entrepreneur, starts his business in exercise of his own judgement based on profitability, viability and future prospects; that in establishing his unit he creates jobs for the workers and wealth for the nation, in the process. As such, it is but natural that he should enjoy freedom to operate his business in furtherance of these purposes, so long as he wishes to continue. However, in the event of his wishing to close it down, through recurring losses, under our law he is not allowed to do so without prior permission of the Government, even though he may be heading for bankruptcy. It is indeed a queer logic that, unlike at the commencement of his business, his judgment at this stage suddenly becomes suspect and he has to submit to judgment other than his own. Surely, our Constitution does not lay down anywhere that even when an employer is facing insolvency, he must continue to lose in order to keep the employment alive for his workers and be wiped out financially. Will our trade union friends call this law anti-labour or anti-employee?

In this context, it was relevant and interesting to read that the employees of both Chrysler and General Motors in USA, when faced with the closure of their automobile plants and loss of employment last year, agreed to a voluntary wage reduction not imposed by the employer but to meet the economic recession which had hit the industry very hard. Moreover, in a bid to rehabilitate the precarious financial position of the companies, the employees have even gone to the extent of buying the companies' stocks purely to express their solidarity with the management. Let us hope that our trade union leaders would also one day demonstrate such sentiment through a similar gesture and come to the rescue of industry in our country in an endeavour to maintain both jobs and production. This surely is what the Prime Minister expected of us when she called for 1982 to be the Productivity Year.

Even in the matter of retrenchment, in most industrially advanced countries the employer after paying guaranteed wages for a few weeks as laid down by the Government, can decrease his total complement of workers to keep his unit productive and profitable. Against that, the Indian employer has almost insurmountable difficulty in reducing and readjusting his workforce if he happened to have employed more workers on his muster through miscalculation or bad judgment. Such a constraint is definitely against the interest of the industry and has a distinct labour bias.

Similarly, the dice is loaded against the employer in collective bargaining where a strike is conceded as an ultimate weapon in pursuit of human rights. However, when it comes to a "lock-out", an employer as a rule is not allowed to declare it, as it is considered anti-social and an unfair labour practice to exploit labour. On the other hand, the workers on the slightest provocation arising out of charter of demands can with or without prior notice go on a lightening strike. Is it not a case of our laws and practice being more in favour of labour than anti-labour? During the last three decades, workers have fully exercised their right to strike. In fact, in pursuance of the right, they have often resorted to illegal, unjustified strikes, on occasions, accompanied by violence. As against that, unless I am misinformed, there have been just two instances in the whole history of Industrial Disputes Act when the Government mustered courage to prosecute the workers for the offence of indulging in illegal strike. Thus, even in the matter of enforcement of labour laws is there not a definite bias in favour of labour?

The above brief survey would show that, if anything, our labour laws are inclined to be more pro-labour than intended to bring the Government in confrontation with labour. An unbiased assessment on the subject would come to the conclusion that our labour laws, with instinctively sympathetic judiciary, have over-protected the working class in the organised industry to an extent where they could have no legitimate grouse. When one considers the fact that such protection is enjoyed by a mere seven million out of a total working population of 260 million, can it not be called a case of a privileged class amongst workers in trade union parlance?

The general strike in the cotton textile mills which started on January 19, 1982, has lasted long enough to go on record as the longest strike in the history of Bombay's textile industry in the last fifty years. Apart from that, the following unusual factors concerning the strike need to be taken note of:

1. The strike was called by an unrecognised union when there was an agreement between labour and management valid upto 1984.

2. The particular trade union leader did not follow the prescribed procedure of seeking recognition before launching direct action in the form of an illegal strike. The workers in responding to his call, swayed by an ambitious charter of demands were risking their job security. By not reporting for duty for over three months the employer can claim the right to terminate their services.

3. Strangely enough, no specific charter of demands was put up in writing and the demands were changed from time to time, through speeches and press statements.

4. The recognised union was overwhelmed by the response which the rival union received from the workers, raising doubts regarding the representative character of the recognised union, as reflected in the process of verification.

5. The country has lost crores in production and workers in wages.

6. The sixty textile mills have suffered huge losses by payment of standing charges and interest and some of them will not be able to reopen when workers decide to resume work.

7. A grim realisation that with our existing labour laws, the authorities are completely helpless, in taking any action against such irresponsible form of trade union activity.

The above factors should provide some food for thought for the authorities, whether in the name of a mere seven million out of 260 million of the working population, our country could permit a section of the trade unions to inflict such a crippling blow to the national economy. More so, when it is realised that these seven million organised industrial workers constitute an island of relative affluence in the ocean of extreme poverty of unorganised non-industrial section of our country's population. By comparison, these seven million enjoy a far greater job security and social security with best of fringe benefits. Yet they are most dissatisfied and disgruntled, thanks to certain trade unions who exploit their grievances to an extent where leadership of outsiders in trade union movement has become a lucrative occupation.

I have repeated times without number in the past that the mode of recognition of representative trade unions should be the secret ballot which would simplify assessment of representative character and ensure that the will of the workers as to who should represent them would be reflected in the result of the ballot. The method of verification prescribed under the Bombay Industrial Relations Act has somehow not convinced the non-INTUC trade unions for years and perhaps the Government out of a concern to create confidence should consider some other mutually acceptable alternative other than the method of verification. To that extent atleast I have certain amount of sympathy for their complaint but that is no justification for a strike. Surely, if Dr Datta Samant wanted to be constructive in his approach, he could have even under Bombay Industrial Relations Act, done so by proving that his union was more representative by securing recognition by giving evidence of the fact to the Labour Commissioner, and should not have resorted to direct action for this purpose. It would have enhanced his reputation by displaying his responsible form of trade union leadership.

Unfortunately, over the years, there has developed a disturbing trend in the field of industrial relations in different parts of the country. An attempt is being made to settle disputes through coercive measures, muscle power and a totally one-sided form of collective bargaining, where the right to strike dominates and where employers' right to lockout has no place. Unfortunately, as a result of frequent violence, collective bargaining has degenerated into a problem of law and order, very largely through multiplicity of trade unions leading to inter-union rivalry.

As an ardent advocate of collective bargaining both at the national and international meetings, it pains me very much to confess that I am totally disillusioned with the distortion of collective bargaining in our country. Would it, therefore, be any surprise if employers justifiably plead that instead of misconceived type of collective bargaining, we should resort to compulsory adjudication, despite the risk of an adjudicator giving awards which satisfy neither side.

The only other alternative which is voluntary arbitration is not likely to make much headway unless there are certain inbuilt safeguards to protect the parties from perverse awards. Even in a highly industrialised country like USA where arbitration is confined to interpretation of the terms of an agreement, there is a growing disenchantment with the conventional arbitration since it is found that arbitrators have a tendency to "split the difference" between the conflicting claims of the parties.

'Go-slow' is a picturesque description of a deliberate delaying of production by workmen pretending to be engaged in the factory. It is one of the most pernicious practices that discontented or disgruntled workmen sometimes resort to. Through this strategy, trade unions by delaying production and thereby reducing the output can claim that the workmen having remained employed and are therefore entitled to full wages. Such a malpractice is far more harmful to the employer than a strike. For these reasons, 'go-slow' has been considered as a serious form of misconduct. The only way an employer can combat it would be to make a prompt and proportionate deduction from wages payable to workmen guilty of indulging in 'go-slow'. To do so, it would be necessary to widen the definition of the term "strike" suitably to cover go-slow and to penalise such misconduct. We have urged the Government to amend the law to discourage this pernicious practice.

In the age we live, it is our sad lot to get depressed from the relentless pounding of dismal news. This phenomenon drives deeper the public conviction that our national economy is going through an acute crisis. Inflation, which was years ago identified as a malady primarily related to wartime, has become a chronic illness with daily price escalations. Unfortunately there appears every indication that prices will continue soaring even when the national economy shows signs of slumping into recession. An economic scenario of this kind takes a cruel toll of the industrial relations in the country. In almost every industry without exception the cost of every category of input is progressively mounting. Apart from raw materials, stores and interest charges, coal, fuel oil, electricity and even water is progressively costing more. Along with consumer price index pushing up the dearness allowance, the rising price takes its toll on provident fund contribution, bonus, sickness insurance and gratuity contribution coupled with bigger demands for increase in wages. Despite frequent wage increases, the monthly real "take-home" pay of all earners gets steadily eroded.

It is a poor consolation to know that this is not the sad lot of our country alone but a paralysing economic situation which is common in nearly all Western nations as well. Industrialised and developing nations, if they have to meet the challenges of the new economic era, must choose between inaction leading to economic collapse or positive action for survival. But such a decision calls for a political will on the part of the Government and genuine appreciation of the Government's difficulties on the part of the people and a sense of responsibility on the part of the trade unions, not to aggravate the situation through unrealistic demands. Above all, it calls for higher productivity.

One of the most redeeming factors in such economic ordeals can be productivity and yet in our country it has not received the importance it deserves. It is, therefore, most timely that the Prime Minister has focused the attention of the nation by declaring 1982 as the Year of Productivity. Her action at least would result in the country concentrating some thoughts on a subject which has received more lip-sympathy than genuine support. For years, we have talked glibly of productivity at numerous seminars and conferences. We have even created a special organisation to promote it but, unfortunately, we have missed the bus by not linking our wage structure with productivity. Whatever possible prospects we had of introducing "payment by results" of the basis of productivity, were missed by indexation of wages to cost of living, as a separate element in our pay packet. Unfortunately, the neutralisation of cost of living escalated so rapidly that it made dearness allowance a bigger element in the pay packet than the basic wage of a worker. This destroyed an excellent opportunity of introducing the system of "payment by results" which was based on the philosophy of relating wages to productivity.

We missed another excellent opportunity of introducing productivity most effectively through making our bonus legislation productivity-oriented. Instead we announced it as a profit-sharing bonus without defining its concept or connotation and yet under the guise of fixing a "minimum" this additional amount had to be paid by loss-making units as well. If our Government is really sincere in making the nation productivity conscious, then even at this late stage, the concept of bonus should be suitably revised to make it a reward for higher productivity. Years ago I had suggested that while collecting excise levy on production a computerised statistics could be maintained on units of actual production against estimated units of production based on installed capacity of each industry. Wherever such statistics confirm bigger production through higher productivity, a productivity bonus, at least in major industries could be given to the worker from the excise revenue earned by Government. This proposal would substantially reduce industrial disputes between management and labour if the bonus is handed out by Government out of additional revenue of excise collected, at slightly higher rate if necessary.

I do admit the proposal needs to be worked out in detail to see if at all it is feasible. If it is, it will kill two birds with one stone by eliminating disputes and disruptions on bonus which, according to some estimates, represent roughly fifty per cent of industrial discord. At the same time our country would for the first time in its history be putting productivity on the pedestal it deserves in an effort to make our wage structure productivity-oriented. It goes without saying that all future increments in wage-structure could then be related to productivity only. Whilst a scheme like this could take care of major industries, for the rest of wage earners, we would have to retain the present system at unit level but by suitable changes the Government could amend the scheme into a productivity bonus instead of a profit-sharing bonus scheme.

In making the above proposal, I have taken the liberty of giving full play to my imagination but if it is not practicable, the Government should consider other alternatives so long as productivity becomes an important element in the wage structure of the country anyhow.

In order that our country and our people understand the magic of productivity, it needs to be explained to them in an extremely simple language they can understand and simultaneously to ensure that if they are prepared to implement it, then they must have their share in the gains through higher productivity. Let us hope and pray that the gospel of productivity which our Prime Minister has so wisely propounded through her message will spread and percolate throughout the length and breadth of the country through the efforts of State Governments, industrial units and trade unions so as to become a national policy.

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Drug Policy Under Attack

THE CRISIS in the drug industry deepened further in 1981. Despite the upward trend in the sales of several companies, the profitability sharply declined. On several issues affecting the industry such as pricing, licensing, brand *vs* generic names, there was a stalemate because of unrealistic Government policies. While the Government announced a liberalisation of the industrial licensing policy, it was not made applicable to the pharmaceutical industry which was faced with a separate restrictive policy. Several representations made by the industry to find a practical solution to these problems did not bear fruit. Several companies had, therefore, to move the courts to seek redress.

Devastating Attack

It is not surprising that faced with this situation, the speech delivered by Dr S.K. Bhattacharya, President of the Organisation of Pharmaceutical Producers of India, at the annual meeting held in Bombay provided a devastating attack on the Government's New Drug Policy (NDP). Most of the provisions of the NDP announced in 1978, he said, were contradictory and self-defeating. The pricing provisions of the NDP and its offshoot the Drugs (Prices Control) Order, 1979 (DPCO) were totally unrealistic and opposed to the relatively pragmatic recommendations of the Hathi committee. Perpetuation of uncertainties coupled with rigid implementation of the unrealistic NDP and DPCO directly resulted in shortage of drugs, virtual stoppage of substantial new investments in the private sector, progressive and substantial increase in imports and stoppage of technological inflow.

Dr Bhattacharya subjected the stated objectives of NDP to severe scrutiny and showed how they have remained illusory. A major objective was that drugs should be made available in plenty to meet the health needs of the people. But instead, the country has been experiencing chronic shortages of bulk drugs and formulations. The average growth rate of bulk drugs and formulations during the last five years prior to 1980-81 was 18 per cent and 20 per cent repectively. The year 1980-81 recorded the lowest growth in the past five years, the growth rate of formulations being only 4 per cent and that of bulk drugs only 6 per cent. The estimated growth rate of formulations in 1981-82 is 8.3 per cent and that of bulk drugs 14.6 per cent showing how they are well below the planned growth rate of 16 per cent per year. It was apparent that the pricing and licensing provisions of NDP were not conducive to stimulating production of medicines and encouraging investment. Yet no attempt was made to modify them to meet the needs of the situation. On the other hand arbitrary prices were fixed disallowing several legitimate costs. The result was that very few companies were able to get even a modest return.

T.T. Vijayaraghavan writes from Bombay

A second objective of NDP was to aim at quick self-sufficiency in the output of drugs for reducing imports. In fact imports of bulk drugs have registered a significant increase in the last few years. The CIF value of imports has gone up from Rs 54.17 crores in 1976-77 to Rs 112.80 crores in 1980-81. The irony is that the country continues to import bulk drugs in large quantities even while many of them are being produced indigenously. Unfortunately, licences seem to have been pre-empted by parties who do not have the capability or intention to produce bulk drugs. Genuine manufacturers, on the other hand, who have the technology and capacity to increase production of these bulk drugs have been deni licences.

A third objective of NDP is to ma drugs available at reasonable price Dr Bhattacharya pointed out how f fulfilling this objective, manufacturin units should have been given encouragement to reduce the cost of productio by increasing the scale of manufactur and through modernisation of plan and machinery. But this was not done At the same time Dr Bhattacharya wa not being practical when he demande the total removal of excise duty, sale tax and other levies to bring down the prices. To ask for reduction of duties i one thing, but to ask for their removal altogether is absurd.

Spurious Drugs

A fourth objective of NDP—and this is very important—is to keep a careful watch on the quality of production and prevent adulteration and malpractices. But it is deplorable that the sale of spurious drugs is on the increase, a fact vividly brought by the debate in Lok Sabha on March 30 this year. It was even suggested that the National Security Acti should be invoked to detain anti-social elements. Dr Bhattacharya drew attention to the fact that the organised sector of the industry had repeatedly cautioned the Government that the foodgates of spurious manufacture would open if licences were given regardless of technical standards of manufacture, and quality assurance. But evidently this was ignored. Dr Bhattacharya clinched the whole issue thus: "The new drug policy has not done any good. We need a policy that encourages growth, more production and prevents shortages. Otherwise Plan targets will remain a myth".

While Dr Bhattacharya has argued the case ably from the point of view of the drug industry, one has to take into ac-ount some unassailable facts of ational interest. One is that if the drug ndustry devotes even 20 per cent of its existing capacity to production of essential drugs, it would go far in meeting the country's requirements. At present, the bulk of the industry's capacity is diverted to production of non-essential drugs and drugs of questionable therapeutic value. That is why here is a shortage of drugs essential for treatment of blood pressure, tuberculosis, typhoid etc. Second, there is little correlation between the disease patterns in the country and the types of drugs manufactured. Thus the sale of drugs for the prevention and cure of leprosy, filarial diseases etc. is negligible. Finally scientific development of medicaments of the traditional systems should be encouraged more vigorously since a majority of the people still rely on them.

Power Slippages

The concern expressed by the Planning Commission over the serious slippages in the augmentation of power generation capacity is not unwarranted. This can have a very deleterious effect on the future growth of the economy.

The current Plan envisages generation capacity to be raised during the five years to 1984-85 by 19,666 MWs from around 31,307 MWs in 1979-80. The first year of the Plan, i.e. 1980-81, witnessed an addition of only 1,823 MWs, as against a target of 2,687 MWs. The shortfall during 1981-82 has been of a similar order. As against the target of adding 3,212 MWs, the achievement has been assessed at not more than 2,175 MWs. A major portion of the addition to capacity last year, as in the recent years, came during the terminal quarter: additional capacity to the extent of only 648 MWs had been commissioned between April and December, 1981. The increase in capacity in the first two years of the Plan, thus, has been not more than 4,000 MWs. The target for the current year has been set at augmenting the capacity by 3,500 MWs. Over 12,000 MWs, therefore, will have to be added during the next two years even if the current year's target is fully accomplished. This indisputably is a herculean task even though a more rapid augmentation can be anticipated in the near future in view of the somewhat fairly satisfactory progress of setting up of super thermal stations and commissioning of a 500 MW unit by Tatas.

The major constraints on the addition to generation capacity which have been identified by the Planning Commission include: (i) Management deficiencies in the State Electricity Boards such as delays in ordering the equipment and ancillaries on time, getting ready necessary infrastructure, inability to coordinate effectively civil construction in correspondence, to erection of equipment; (ii) delays in the supply of equipment by BHEL, Instrumentation Limited, Kota, and other ancillary supplies; (iii) shortage of good construction materials such as cement and steel; (iv) inadequate and delayed sanction of funds by the states; (v) inadequate site investigations, delays in land acquisition, forest clearing; and (vi) other constituents like industrial relations, labour problems, strikes etc.

Improved Situation

The situation in regard to two of the above constraints, namely, availability of construction materials and supply of equipment, can be expected to ease somewhat. The downward revision effected by the Cement Manufacturers Association in the free-sale price of cement is an indication of a substantial improvement in cement supplies. The steel sector too is anticipated to show a much better performance this year. The Chairman of Bharat Heavy Electricals, Mr K.L. Puri, revealed recently that following a systems approach, the supply of equipment from this public undertaking will be much better coordinated than hitherto as some critical areas of delay have been identified. Concerted action, therefore, is urgently called for in regard to release of funds for investment, especially when the allocation for the power development programme has been increased markedly this year. Endeavours have also to be made to contain industrial unrest.

Technology for Third World

Some of the developing countries having surplus capital or sophisticated technology have pledged at a four-day conference of the heads of science and technology agencies of 55 countries in New Delhi last week to join hands in assisting technology transfer to the other members of the Third World. This should foster closer south-south cooperation the need for which cannot be overemphasised in view of the deadlocked North-South dialogue.

It was unanimously agreed at the conference that a joint consultancy arrangement should be set up by the developing nations which would help in transfer of technology in certain identified areas. These include food and agriculture, health and nutrition, energy and low-cost housing. India has been entrusted with the task of follow-up action at least till August this year when the Group of 77 meets again in Manila to deliberate further on the issues involved.

The dovetailing of the technology available in the developing countries with the capital surpluses of some among them, particularly the oil exporting ones, can as well be of immense mutual benefit in the industrial sector. Joint ventures can be undertaken in various manufacturing fields. They can cater not only for the requirements of the participating countries but also of the other developing nations. Joint ventures can be put up even in third countries having considerable natural endowments.

There was a broad agreement among the participants at the conference on the flow of technology among the developing nations through the establishment of pilot projects, exchange of prototypes and scientific equipment, consultancy services, etc. Their experiences could be shared through an information centre.

The conference laid a good deal of

stress on increasing expenditure on science and technology so that the developing countries could progress steadily towards the goal of socio-economic development. It was reiterated that this expenditure should be raised by the end of the current decade to one per cent of the GNP of the developing nations.

Stale Tea

R. J. Venkateswaran writes from Calcutta

TEA STATISTICS 1980-81, issued by the Tea Board of India in April this year, contains a great deal of useful and interesting information regarding various aspects of the tea industry and trade in India and other countries. Mr R.N. Mondal, the Board's Statistician, in his introduction, says that this is the twenty-seventh year of its publication and that it has been helpful to research workers, economists, institutions and others for ''a systematic and scientific study" of the industry's progress and problems. Mr Mondal and his staff have done a commendable job. But the publication's value would have been greatly enhanced if an attempt had been made to make the data more up-to-date at least in respect of some major developments. Most of the figures relate to 1980-81 and in some cases to the calendar year 1979.

For example, Russia has emerged as a major buyer of Indian tea. Export to Russia increased from 33.65 million Kgs in 1978 to 40.39 million Kgs in 1979 and 63.83 million kgs in 1980. But the Tea Board does not have the figures of Russia's import trade beyond 1979. In that year Russia's total imports of tea amounted to 49.4 million Kgs, of which the share of India was 39.5 million Kgs, Sri Lanks 2.9 million Kgs, China 1.7 million Kgs, North Vietnam 2.6 million Kgs and other countries 2.4 million Kgs. These figures are said to be provisional. They reveal that India has been the only major supplier of tea to Russia. But it is relevant to recall that in 1975 out of Russia's total imports of tea of 66.9 million Kgs, India's share was 62.1 million Kgs. What were the reasons for the sharp decline in the import of Indian tea to 49.4 million Kgs in 1976, 48.9 million Kgs in 1977 and 33.9 million Kgs in 1978? The quantity of Indian tea imported into Russia in 1979 was practically the same as in 1971 when it amounted to 38.9 million Kgs.

The offtake of Indian tea by West Europe has shown a declining trend. Imports by the EEC dropped from 65.4 million Kgs in 1979-80 to 53.7 million Kgs in 1980-81. Import by the U.K. fell from 49.6 million Kgs to 41.0 million Kgs, by the Irish Republic from 6.8 million Kgs to 5.3 million Kgs and by West Germany from 5.9 million Kgs to 4.9 million Kgs. It is necessary to find out the reasons for this set-back. The quantity of Indian tea imported by the other countries of Western Europe such as Austria, Greece, Finland, Norway, Spain, Sweden,Switzerland, Portugal and Malta was neglible, the total being 344,000 Kgs in 1980-81 compared to 58,000 Kgs in 1979-80.

As regards East Europe, apart from Russia, the other countries do not seem to have shown much interest in Indian tea although Poland's imports at 13.8 million Kgs in 1980-81 were much higher as compared to the previous year when they amounted to 7.5 million Kgs. But import, by Yugoslavia substantially dropped from 607,000 Kgs in 1979-80 to 129,000 Kgs in the next year and by Czechoslovakia from 503,000 Kgs to 409,000 Kgs.

An encouraging trend in recent years has been the better export performance of packet tea, tea bags, and instant tea. Their total export earnings amounted to Rs 76.90 crores in 1980-81 compared to Rs 63.15 crores in 1979-80, an increase of Rs 13.75 crores. New markets have been found for packet teas in Poland, the USSR the USA, Canada, Nigeria, Australia and Fiji, for tea bags in West Asia, and for instant tea in some Western countries. But it is significant that the export of packet tea in 1980-81 at 32.32 million Kgs was valued at Rs 69.98 crores compared to 38.60 million Kgs worth Rs 78.7 crores in 1978-79.

The Tea Board should try to equi itself with more up-to-date figures regarding the developments in the industry i India and abroad. It is particularly important to be fully acquainted with th activities of our competitors. For example, Chinas's production increased from 252 million Kg in 1977 to 290 million Kg in 1980 but data about her exports are available only upto 1979.

The Tea Board has revealed that the internal conumption of tea in India has been steadily increasing over a period of years. In 1980-81 it is estimated at 358 million Kgs compared to 337 million Kgs in 1979-80, 318 million Kgs in 1978-79 and 300 million Kgs in 1977-78. It is stated that at present "about a million Kg of tea is consumed in India every day which is very significant for a developing country". Even so, there is need as well as scope to increase the consumption in India. But, for this purpose, the Board should have more details about the level of consumption in various States or regions so that more attention can be concentrated there.

Tea Break in Assam

INCIDENTALLY, THE first meeting of the State-level Tea Consulative Committee, at Tinsukia recently, discussed the difficulties faced by the tea industry in Assam and made several suggestions for promoting its development. The adviser to the Governor, Mr R.V. Subramaniam, who presided, said that the State Government had decided to implement a comprehensive plan for strengthening the tea industry. The details of this plan have not been disclosed. But the Government is expected to give careful consideration to the recommendations made at this meeting, which included the demand for bringing more area under tea, provision of adequate land to the gardens for expansion, availability of more funds, establishment of a tea packaging unit and a tea blending unit in Gauhati, and the reorganisation of the Assam Tea Corpo-ation. The other proposals were that he Government should reduce or remove he agricultural income tax, lower the power tariff for tea gardens, ensure he regular supply of foodgrains, and mprove the auction system in Gauhati.

The need to rejuvenate the tea industry n Assam will become clear from the recent trends in production and productivity. The output increased from 276 million Kgs in 1979 to 306 million Kgs in 1980 but the latter figure has to be viewed in the context of the achievement in 1977 and 1978 when it amounted to 293 million Kgs and 297 million Kgs respectively. The average yield rate was 1537 Kgs per hectare in 1980 compared to 1413 Kgs in 1979 and 1544 Kgs in 1978. The average yield rates in other States in 1980 were (in Kg/hectares): West Bengal 1411, Tamil Nadu 2002, Kerala 1484 and Karnataka 1846.

The number of tea estates in the Assam was 785 in 1951 but in the subsequent years, there has been a declining trend. In 1980 their number was 770 against 769 in the preceding year. The average daily number of labour employed was 446,006 in 1979 compared to 394,410 in 1970.

The quantity of tea offered at the Gauhati auction was 79 million Kgs in 1979 which fetched a price of Rs 12.36 per Kg. In the next year, there was a decline to 62 million Kgs, the price being Rs 12.69 per Kg. Incidentally, it is relevant to note that in the other auction centres also there was a fall in the quantity of tea offered in 1980 as compared to the previous year, for example, in Cochin from 87 million Kgs to 77 million Kgs and in Coonoor from 18 million Kgs to 16 million Kgs. In Calcutta there was only a small increase from 129 million Kgs in 1979 to 132 million Kgs in the next year. The improvement in price was only 39 paise —from Rs 14.69 to Rs 15.08 which was below the cost of production. The stagnation in the domestic demand for tea because of the high cost of sugar was among the reasons for the failure of prices to go up so as to cover production costs. The total quantity of tea offered at the auctions in India in 1980 was about 307 million Kgs or 53 per cent of the production against 323 million Kgs or 59 per cent in the preceding year.

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Effetcive Steps

So far as Assam is concerned, major changes in policy like a substantial reduction in agricultural taxation may not be possible in the present situation. But the Government should take effective steps in other directions to strengthen the tea industry. For example, the gardens should be provided with sufficient quantities of fuel, foodgrains, and other inputs. Their costs have gone up in recent years and the occasional shortage of wagons has also created delays and difficulties in getting supplies.

The stalemate over the foreigners' issue is likely to continue for a long time and therefore there is little prospect of a stable Ministry in the near future. But this should not be allowed to hamper the development of the tea industry which plays a vital role not only in the State's economy but also in that of the country. Assam's share in India's total production of tea in 1980 was 306.4 million Kgs compared to 129.2 million Kgs in West Bengal, 74.0 million Kgs in Tamil Nadu, 53.6 million Kgs in Kerala and 8.4 million Kgs in other States, making a total of 571.66 million Kgs. The Government of India therefore should give special attention to deal with the problems of the tea industry in Assam.

Big Business for Bhubaneshwar

THE ORISSA Chief Minister, Mr J.B. Patnaik, has shown commendable initiative in setting up an Industrial Advisory Committee to advise the Government on the measures to be adopted to speed up the State's industrial development. The first meeting of the Committee, held in Bhubaneswar on April 30, was attended by several leading industrialists including Mr Rusy Mody, Mr H.S. Singhania, Mr A.N. Haskar and Mr M.N. Dastoor. The Chief Minister, who presided over the meeting, was reported to have suggested that 11 large industrial houses in the country should be requested to invest at least Rs 100 crores each in the State's new industrial projects, for which special incentives would be provided. At the meeting, it was decided to set up two sub-committees, one to study the issues relating to power supply and the other to examine the incentives necessary to encourage exports from the State.

Orissa has vast resources of various kinds which offer enormous scope for setting up new industries. It seems that after the present Ministry came into office, much progress has been made in creating a climate conducive to industrial growth. Mr Patnaik said at the meeting of the Industrial Advisory Committee that 60 medium and large industries with investment potential of Rs 200 crores had been "grounded" in Orissa and that another 200 industries with investment potential of Rs 1000 crores had been identified.

The State's Finance Minister, Mr Raghunath Patnaik, while presenting the budget for 1982-83 on March 11, also gave certain figures to prove that Orissa's industrial revival had started in right earnest. He revealed that due to the efforts of the present Government, 1 large and 35 medium industries together with 3 cooperative spinning mills with a total investment of about Rs 200 crores and direct employment potential of about 30,000 persons had been established. He said that, in addition, 40 large and 118 medium industries including 4 cooperative spinning mills involving an investment of over Rs 800 crores were in various stages of implementation. Further, the Government had identified 196 medium and large units.

It is not clear from the statistics given by the Chief Minister and the Finance Minister how many new industrial units have actually come into existence after the present Ministry was formed and how many more are expected to commence production in the next few months. To claim that several new projects have been "identified" does not indicate progress. It is important to know how many of them are viable and how soon they will be taken up for serious implementation.

While giving incentives to the large houses to set up industries, the State Government should give greater attention to the promotion of local entrepreneurship. It is true that large industries will give scope for the growth of the small ones. Even so, the State Government should concentrate on removing the impediments which prevent the local entrepreneurs from starting their own business. The State Financial Corporation and other official agencies as well as the banks should play a more active role in promoting industrial growth and also in reviving the sick units. The development of the backward districts of Kalahandi, Bolangir, Dhenkanal and Mayurabhanj needs special efforts. It will be interesting to know how many of the large houses, who have been approached by the Chief Minister, will be willing to invest in these districts.

Orissa's annual Plan for 1982-83 provides for an outlay of Rs 300 crores, of which 23.83 per cent is for agricultural and allied activities, 52.33 per cent for water and power development, 5.3 per cent for industry and mining, 5.88 per cent for transport and communication, 12.06 per cent for social services and 0.60 per cent for economic and miscellaneous services. The Plan places special emphasis on the expansion of electricity. A sum of Rs 84 crores, including Rs 38.96 crores of the State Electricity Board, has been allotted for power compared to Rs 75.44 crores for 1981-82. The Government expects to commission the Talcher thermal power station in the current year and to electrify 1200 villages including 681 villages in the tribal subplan area.

Recent investigations have revealed the location of deposits of coal, chromite and limestone in Orissa. The Government should further intensify the mineral investigation programmes and, at the same time, bring about the faster improvement of roads and communications.

Industrial Advisory Committees, set up in many States, have become dormant or defunct. Mr J.B. Patnaik, therefore should see to it that in his State, the Committee remains active and that the Government makes the best use of the expertise and experience of its members in accelerating Orissa's industrialisation.

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Is There a Fourth Economic Sector ?

CONVENTIONAL STATISTICS divide the economy into three sectors : agriculture, manufacturing and services. Years ago Colin Clark drew attention to the structural change occurring among these sectors : the shift of the active population from agriculture to manufacturing and then to services. In several OECD member countries, such as Canada and the United States, more than 60 per cent of the workforce is now in the services. Perhaps the time has come to have another look at the classification. A new report just published by OECD is an attempt to break new ground in this direction.

The occupations involved in production, storage, retrieval and distribution of information are an increasingly important component of the labour force in many OECD member countries, and the resources these activities absorb have acquired a growing weight in the overall production of goods and services. Since information is also the focal point of much of the most rapid technological advance in developed countris, an Expert Group of the OECD's Working Party on Information, Computer and Communications Policy has been trying to separate out the "information sector" from the traditional three sectors across which it cuts—agriculture, manufacturing and the services—so as to facilitate assessment of its present and future impact on employment, economic growth and trade.

How large is the information sector ? OECD's experts applied three measures :

* Employment as a percentage of the total labour force.

* Value added, as a share of GDP.

* Exports as a percentage of trade.

All measures show that growth has been very rapid over the post-war period, though the rate differs from country to country.

An element of "information activity" is present in any occupation. The [report defines as information occupations those activities which have the production, processing or distribution of information as their *primary purpose* ("information workers" such as administrators, managers and secretaries). To these must be added occupations which build and maintain the information infrastructure, such as telephone network fitters, computer operators and office machinery maintenance men. There has been a shift towards such information occupations that has occurred over the years since World War II in all the nine countries examined. In each five year period, on average, these information occupations gained an extra 2.8 per cent of all the economically active.

Predominant Sector

The trend towards the information sector can be observed clearly in all reporting countries, with residual agricultural occupations contracting in all cases, residual industrial jobs contracting in all but Japan, and residual services expanding in all but the United Kingdom. In fact, with the single exception of Japan, the information sector became the predominant sector for employment in all the countries examined between the early 1960s and the mid 1970s.

In national accounting terms, the fourth sector is called the "primary information sector". It includes goods and services intrinsically conveying information (such as books) or directly useful in the production, processing or distribution of information (such as telephone services) *sold on established markets.* The table below shows, for a few OECD countries, the value added by the primary information sector; it also shows its considerable increase from the early 1960s to the mid 1970s. On average, over each five-year period, the primary information sector contributed an additional 3.2 per cent of total value added in the countries represented. Most of the growth—roughly three quarters—was in "information handling services" (e.g. finance, real estate, education, legal, accountancy and other consulative services, and media of communications). The remaining quarter was in "information goods"—telecommunications equipment office machinery, etc.

OECD's report also identifies a "secondary information sector", which incorporates information services used for

The Fourth Sector in National Accounts
(As a percentage of GDP at factor cost)

	Year	Primary Information Sector	Secondary Information Sector
Australia	1968	14.6	n.a.
	1962	16.0	n.a.
France	1972	18.5	n.a,
	1974	19.1	n.a.
	1960	8.4	n.a.
Japan	1965	14.4	21.8
	1970	18.8	16.2
Sweden	1970	16.9	n,a.
	1975	17.8	n.a.
United Kingdom	1963	16.0	13.8
	1972	22.0	10.9
United States	1968	19.6	23.1
	1967	23.8	24.7
	1972	24.8	—
	1974	—	24.4

internal consumption within Government or private enterprise and which are not sold on the market.

The data are limited, but they show that during the late 1960s and early 1970s, the share of this secondary information sector declined. This means that many information services, which previously were performed inside a firm (accounting, tax counselling, personnel search, research and development) have been "satellised" and contracted outside the firm or Government and, since they are sold on a market, are counted in the primary information sector. This also explains the rapid growth of the private service sector over the past 15 years; most of this growth was in information services.

Post-War Expansion

The continuous post-war expansion of the share of information goods and services in the national income and output of OECD countries has inevitably had an impact on both the growth and structure of international trade. It is calculated that over the period 1965-75, the share of information-related goods and service increased from 13 to nearly 20 per cent of total OECD exports of goods and services, and from 17 to 30 per cent of OECD *trade in finished manufactures.*

Japan experienced the fastest growth with over 46 per cent of her exports of finished manufactures to the OECD area consisting of information-related goods (e.g. TV sets, calculators) by 1975. In particular, Japan's share doubled over the period 1965-75 while the share of the United States declined by 3 per cent and that of the EEC by 7 per cent.

Information *services* are harder to measure. One study of a specific area made by OECD's experts—international telephone traffic between OECD countries—showed a rise of 16 per cent per year between 1965 and 1975. This is over three times the rate of increase for domestic telephone traffic.

What about the future ? One important determinant of the role of the fourth sector on the economy will be technological changes in electronics and telecommunications. Changes in production processes in manufacturing industries due to the introduction of microprocessors will be important and will probably contribute significantly to increases in productivity. In the office, widespread introduction of new information technologies—office automation—is anticipated Because of the under-capitalisation of the office environment, and its relatively low labour productivity, it will constitute a fertile ground for the massive introduction of new information technologies.

As to final demand, there is little evidence that information goods and servicss have been capturing a larger proportion of household expenditure during the past 10 years or so. This is partly because new information goods like television substitute for older information services such as the cinema or theatre. It is not impossible that an untapped market exists for low-cost information services or for inexpensive household electronic equipment such as the home computer, but so far the post-war evolution of consumer final expenditure does not indicate that consumer tastes have shifted towards more information-intensive products.

Reduced levels of employment are by no means an inevitable outcome of new electronic aud communications technologies, but to date we do not know what is the net balance of jobs lost and jobs created by them. These information technologies may, in any case, have a negative impact on routine information-handling jobs. Since at present female employment is rather high in these occupations, this may be a matter for concern. Similarly, unskilled workers might have some difficulty adapting to the new information technologies which tend to be labour-substituting at the level of routine

Bangladesh Nears Bankruptcy

The meeting of the Bangladesh aid-donors' consortium in Paris last month assumed significance in view of the military takeover in Dacca coupled with the prolonged worldwide economic recession. Aid flows to Bangladesh have stagnated over the past two years, forcing the Government to cut back its annual development programmes.

Bangladesh's Balance of Payments

(*US $ million*)

	Fiscal Year			
	1980	1981	1982	1983*
Merchandise exports (fob)	727	711	640	732
Merchandise imports (cif)	—2,372	—2,524	—2,420	—2,670**
Private transfers	210	377	400	450
Current-account balance	—1,432	—1,425	—1,450	—1,608
Debt amortisation†	—50	—85	—104	—91
Total financing needs	—1,482	—1,510	—1,554	—1,699
Aid disbursements	1,222	1,147	1,210	1,270
IMF transactions (net)	177	160	40	—22
Short-term borrowing (net	—	35	170	—
Other capital (net)	24	144	34	100
Decrease in reserves	119	24	100	—
Uncovered financing gap	—	—	—	551

*Projection ***Excludes additional food import requirements of* 500,000 *tonnes for which aid financing has been requested.* †*Medium and long term.*

jobs (e.g. cashiers in super markets) Even certain craft occupations requiring highly specialised skills (e.g. typesetting, or adjusting machines to changing output specifications) might be affected.

Development of information technology may have a significant impact upon firm and industry structures. Within the information processing and telecommunication industries themselves more rapid technological change may reduce barriers to entry and encourage firms to operate varied new product areas. Such a development could create opportunities for small firms in these industries, but may equally induce diversification on the part of large firms. Similarly new applications of information technologies open up broad new possibilities for decentralising production. However, the exploitation of these possibilities may privilege the larger, more information-intensive enterprises, thereby increasing rather than reducing concentration levels.

Source : *OECD Observer*

US Economic Projections

The United States economy appears weaker than it did a few weeks ago. Even so, a reduction in the rate of inventory liquidation is likely to result in a small increase in "real" GNP in the current quarter. That and the personal tax cut scheduled for July 1 are expected to keep the economy moving forward for the remainder of the year (see table alongside) despite continued monetary restraint.

Severe weather earlier this winter distorted many economic indicators. But March numbers, free of such influences, point at best to only a hesitant upturn in economic activity. Labour market statistics, for example, showed continued weakness, with a rise in unemployment to 9 per cent and a further drop in nonfarm payroll employment to a level 300,000 below December's level. Moreover, auto sales were sluggish last month, despite rebates, and early signs point to a drop in industrial production in March.

The decline in production and employment probably reflects the lingering impact of stubbornly high interest rates. Over the near term, the outlook for rates hinges importantly on the behaviour of the monetary aggregates and on the size of prospective budget deficits.

For the next several weeks, monetary developments will be especially difficult to interpret. During four of the past five years, the seasonally adjusted monetary aggregates have grown rapidly in early April. However, the most recent minutes of the Federal Open Market Committee suggest that the Fed may be flexible in responding to any such bulge. Having maintained a firm posture since the start of the year, the Fed had managed to bring M_1 down to a point barely above its target range. Thus, the Fed may feel that it has established sufficient credibility regarding its intentions to achieve its long-run targets that it need not respond to short-term movements in the aggregates in a purely mechanical fashion.

The Morgan Bank forecast assumes that any April bulge in the monetary aggregates will be short-lived, and that short-term interest rates will decline at least moderately from their March averages. Sustained recovery, of course, will require lower long-term interest rates— something that is critically dependent on resolution of the current fiscal impasse in Washington.

U.S. Economic Projections

(Percent change at annual rate from previous quarter, except where noted)

	1981	1982			
	Q4	Q1	Q2	Q3	Q4
Real GNP	—4.5	—2.9	1.2	3.3	3.1
Real consumer spending	—2.2	3.5	1.4	3.3	3.
Real business-capital outlays	—2.9	2.3	—10.8	—0.7	0.7
GNP deflator	9.5	5.7	5.5	6.2	6.
Consumer prices	7.8	3.7	3.1	6.7	6.
Real disposable personal income	1.7	—0.7	0.8	8.4	1.
Saving rate (%)	6.1	5.1	5.0	6.1	5.
Housing starts (Million)	0.9	0.9	1.0	1.1	1.
Auto sales (Million)	7.4	8.2	8.6	9.1	9.
Unemployment rate (%)	8.4	8.8	9.1	9.2	9.

Note : 1981 Q4 data are actual. Approximately one percentage point of the ris in the GNP deflator in the fourth quarters of both years reflects the timin of federal pay increases.

German Export Boom

West German exports, helped by the depreciation of the deutschemark in rea terms, have become a pillar of a sagging economy—some say the only pillar There is even some hope that expor successes could benefit domestic business as well. The fact is that the expor boom last year prevented a further drop in industrial production.

Today, export successes are seen in a much more glowing light than a few years ago when they came under fire as a possible danger to stability.

Now, exports are seen as playing a major role in overcoming the economic slump, reducing joblessness and doing away with the balance of payments deficit. Only if exports continue to rise will the current account, become balanced.

This was clear last year when exports helped reduce the balance of payments deficit by DM 12.3 billion to DM 17.5 billion.

In 1981, exports showed a growth rate of 13.5 per cent, reaching a volume of DM 397 billion Of this, 7.5 per cent was accounted for by price increases and six per cent by quantity increases.

This is the more remarkable when seen in the light of last year's stagnating volume of world trade.

The German business community has thus captured additional markets and increased its share of world exports. It now ranks second only to the United States as an exporter.

West German imports last year rose only 8.1 per cent to DM 396 billion. But, deducting price increases, purchase from abroad dropped by about four per cent. As a result, the trade surplus tripled to reach DM 28 billion—and that despite deteriorating terms of trade (the ratio between export and import prices) which worsened from 90.2 in 1980 to 85.2 in 1981.

In addition, the oil bill rose by another DM 11 billion to DM75 billion despite diminiseed energy imports.

This was due to sluggish domestic business which put the brakes on imports. At the same time, production capacities became available for export goods. Another major contributing factor was the development of exchange rates.

Competitive Goods

In 1981, the deutschemark declined about 13 per cent against the dollar while it gained only 6.8 per cent against a basket of European currencies. As a result, West German goods became more competitive on both foreign and domestic markets.

The greatest export growth (53 per cent) was achieved in trade with the OPEC countries. Here, German business profited from the oil-producing countries' high petrodollar surpluses.

Success is evidence by the fact that Germany managed to achieve a trade surplus with the OPEC countries despite the dramatic increase in oil prices.

Trade with non-European industrial countries was also bouncy and showed a growth rate of 27 per cent.

Shipments to non-oil producing developing countries were marked by an above average growth rate as well. The balance of German Japanese trade slithered further into the red.

As a result of heavy borrowing abroad, there was also a DM 1.11 billion deficit in capital earnings compared with a surplus of DM 2.2 billion a year earlier. The traditional deficit in the transfer sector (DM27 billion in 1981) was primarily due to the money foreign workers transferred to their home countries (DM 8 billion) and DM 6 billion net pay ments to the EEC. The combined deficit in the service trade and transfers has doubled since 1978 and now is DM 47 billion. It remains to be seen whether growing surpluses in trade in goods will suffice to offset this deficit before the year is over.

Robots in the USSR

As many as 1,125 industrial robots have been manufactured in the Soviet Union in the first quarter of 1982, according to the Central Statistical Board of the USSR. Robot engineering is the most rapidly developing branch of Soviet industry. For example, the output of robots has nearly doubled (a 90 per cent increase) as against the first quarter of the last year.

This fast pace in 1982 is not something extraordinary, but a stable trend. The rates of growth in the output of industrial robots output in the Soviet Union is far ahead of the average world indicators. Thus, while in 1975 the USSR's share in the world fleet of robots was a mere 3.1 per cent, in 1980 it augmented to 21.4 per cent. According to forecasts, in 1985 it will constitute a half (in view of the world annual growth rate of 40 per cent) of the world's fleet of robots, and 57.1 per cent in 1990.

Labour shortage is the cause behind the fast robotisation. Unemployment was done away with in the Soviet Union way back in 1930. Currently about two million jobs are vacant in the country. This, of course, gives freedom of choice to the workers, but, on the whole creates problems for the national economy. The more so since 750,000-800,000 workers are required annually for the newly-built enterprises, first of all, in unsettled areas. Hands are in increasingly short supply also because of the added demographic factor: in the 80s the able-bodied population growth is less than one-third of that in the 70s, which is explained by the fact that the scanty second post-war generation has grown up.

Thus, if there were no robots, they should have been invented. The scope of their use grows with every coming day. Industrial robots are important not only for machine-building and instrument-making, which are their traditional domain (although the word tradition" is hardly applicable to production with an only 15-year record). Robots have found their way also into the light, extractive and chemical industries, transport, construction, agriculture, offshore development, space technology and medicine. Fulfilment of only the current orders placed with the Soviet factories for robots manufacture will release upwards of 250,000 workers in the Soviet Union by 1990. In the opinion of Professor Ye. Yurevich, Director of the Leningrad research institute of robot engineering, by that time even more robots can be put into service to do the work of about one million operatives.

Manpower Shortage

At present, however, the Soviet Union lacks already twice as many workers. Therefore, mechanisation and automation of production continue on a broad scale in the national economy. For example, over the first quarter of 1982 Soviet factories have introduced 1,200 sets of transfer and flow lines, and more than 900 sections, shops and productions have switched over to comprehensive mechanisation and automation.

It is characteristic that in the 11th Five Year Plan period (1981-85) for the first time ever State Plans have been drawn up for reducing the share of manual labour in industry and other sectors of the economy. Over the five years this is to save the work of 10-12 million people (2-2.4 million yearly), which is tantamount to the intake of as many additional workers.

—**Leonid Korenev**

Point of View

Energy Resource Mobilisation in the Manufacturing Sector

Joyashree Kar &
Debash Chakraborty

The authors discuss the various problems faced in mobilising different types of energy resources and their possible impact on the growth of the energy intensive industries. Industrial demand for electricity is increasing at a rapid rate. Generation of hydro-electricity has a high lead time. Though India's oil reserves are meagre, its coal reserves are plentiful. Both, however, are non-renewable, and there is no immediate alternative to them. The long-run solution is substitution of non-renewable energy with renewable resources. In the short run the authors recommend the substitution of coal and gas for oil. The ideal course for our country, they say, would be substitution of labour energy for non-renewable resources without adversely affecting the growth rate.

"RESOURCE MOBILISATION" is a dynamic concept. Mode and degree of mobilisation of any resource needs to be up-to-date enough and in conformity with the needs of time and society. The goal already set before the country to achieve this is the guideline for the pattern of resource mobilisation.

Our Third Five Year Plan had laid down that "mobilisation of resources for an adequate rate of growth is the crux of the problem of planning in an under developed economy"[1]. Among the various objectives which have figured throughout the Indian Plans, topmost priority has been attached to achievement of high rate of growth to attain economic self-sufficiency.

Industrialisation is the *sine qua non* for the rapid economic growth. Therefore achievement of economic self-sufficiency through rapid industrialisation has been emphasised in the Indian Plans since the Second Five-year Plan.

Industrial sector mobilises both human and non-human resources for production. Non-human resources include capital, energy and other raw materials. Since the last few decades, energy has emerged as a very vital resource in the production process. Today the positive correlation between energy and economic growth is unequivocal. In order to increase production and efficiency, developed nations designed highly energy intensive production technology. Developing countries like India also followed suit. Just when our economy has been advancing through the energy intensive path of production, it received a jolt from the "global energy crisis". Today it is imperative to study the problems of mobilisation of the energy resource and their consequences in the context of our industrial growth.

The objective of this article is to discuss the various problems in mobilising the different types of energy resources and their possible impact on the growth of the energy intensive industries.

Some Ambiguity

We categorise the energy intensive industries (ASI) (at two digit level) in terms of energy intensity. There is, however, certain ambiguity regarding the measurement of energy intensity. Two most popular measures are energy output ratio and energy-value added ratio. The latter measure seems to be rather improper on the ground that value added reflects the contribution of primary inputs—i.e. capital and labour only. Moreover producers are interested in the cost of producing the gross output and contribution of individual input to the total output. Therefore, we choose the energy output ratio as the appropriate measure for energy intensity.

In Table I we have arranged in descending order of energy intensity the first nine out of the total eighteen two-digit level ASI manufacturing industries. These nine energy-intensive industries account for 81 per cent of the total manufacturing sector's energy consumption, 55 per cent and 62 per cent of total manufacturing ouput and value added respectively. Chemical and chemical products (including fertiliser) industry alone accounts for around 14 per cent of the total value added. Besides these direct contributions

TABLE I

Industry Group Arranged in Descending Order of Energy Intensity

Industry Code	Industry Name	Energy Intensity (E_i/O_i, in percentage)
32	Non metallic mineral products	17.51
33	Basic metals and alloy industries	10.36
28	Paper and papers products—printing, publishing etc.	8.38
31	Chemical and chemical products	7.34
23	Cotton textiles	5.34
24	Wool, silk and synthetic fibre textiles	4.51
25	Jute, hemp and mesta	4.43
37	Transport equipment	3.13
34	Metal products and parts excluding machinery and transport equipment	3.03

N.B.: E_i = Energy consumption by ith industry.
O_i = Output of the ith industry.
E_i/O_i = have been calculated from the energy and output data for two digit level industries for 1977-78.

Source: Annual Survey of Industries, Summary Report for Factory Sector, 1977-78, Central Statistical Organisation.

of these industries to the manufacturing sector's growth rate, being the core sectors, they have widespread linkage effects. The overall industrial growth is determined to a very large extent by the growth of these energy intensive industries. Therefore, the energy resources should be efficiently mobilised to meet the growing demand of these sectors.

The pattern of mobilisation of energy resource is conditioned by the technical relation between various inputs in the production process. With the present technological knowledge, the various sources of energy which meet the industrial demand are coal, coke, charcoal, coal gas, firewood, oil and oil products and electricity. Firewood, coal gas and charcoal account for a very small proportions of the total demand. In 1978-79, coal (both coking and non-coking) accounted for 44.5 per cent of the total industrial demand for energy, while electricity 47.6 per cent and oil 7.9 per cent which were 73 .4 per cent, 63.9 per cent and 6.4 per cent of the total demand for these individual types of energy resources.

Resource Position

Before we come to the problem of mobilisation we must assess our resource position in terms of the demand for them. Table II shows in an optimistic way the reserves of two primary resources coal and oil.

India's oil reserves — only 0.3 p.c. of the global oil reserves[2]—are meagre compared to the demand for this fuel. Out of the total domestic demand for oil only 1/3rd is being met by indigenous sources and the rest from external sources. Mobilisation of oil resources from external sources was considered cheaper until 1973. Since the early Seventies due to the hikes in prices and regulation of production, the price of a barrel of oil shot up from $2 to around $36—$40. Consequently, import of oil has given rise to a financial problem for India with dwindling foreign exchange reserves. The price has since came down significantly. But that has not mattered much in so far as the future strategy is concerned. Since, even optimum utilisation of the domestic resources would still be insufficient to meet the total demand for a long time, import of oil has to continue. Almost 75 per cent of the total export earning is today paid by way of oil import. In order to increase the internal production hitherto unexplored areas with high potentality should be explored. This would necessitate diversion of funds for exploration purposes away from other developmental projects.

India's position in coal reserve is rather sound. In order to sustain the present rate of growth of demand for coal, exploitation of coal reserves should be further intensified and diversified which would in turn mean use of highly energy-intensive technologies. Thereby we are caught in the vicious circle and very often production of coal has failed to keep pace with the demand for it which is sometimes aggravated by the lack of efficient infrastructural facilities for the transportation of coal. Due to the growing demand for coal in the near future, unexploited coal reserves from greater depth (beyond 600 metres) with thinner seams (less than 1.2 metres) should be mobilised. However, this is going to be rather expensive.

Since the industrial demand for electricity is increasing at a very rapid rate, its generation and transmission should be improved. Electricity being generated mostly from coal, oil, hydro and very recently from nuclear resources, the basic problem lies in the bottlenecks in mobilising the primary sources o energy. Although India has good potential for nuclear power with 53,000 tonnes of uranium deposits (30,000 tonnes o which is definite) and 363,000 tonnes o thorium deposits, their mobilisation ir the short run is constrained by higl lead time, while in the long run ther are numerous technological, economi and political problems[2]. The cost o enrichment of uranium or fast breedin technology, installation of nuclea power plant, replacement cost, cost o radio-active waste disposal are generall very high. Moreover health and environmental hazards have cast doubt in fruitful mobilisation of nuclear resources.

Generation of hydro-electricity canno be increased immediately due to high lead time. With the present technologies mobilisation of water resources for the generation of hydro-electricity in the long run may be uneconomic compared to the thermal generation. However, further technological development may be rather effective since water is a renwable source and has greater relevance in the long run.

As a corollary to the above discussion, it is apparent that there are certain basic problems in the mobilisation of various energy resources which are more or less outside the purview of the industrial sector.

Certain problems may be viewed as short run problims and others as long

TABLE II

India's Coal and Oil Reserves

(In million tonnes)

(a) *Coal Reserves*		
Depth in metres	Seam thickness	Total Coal Reserves
0—600	1.2 metres and above	85,444
0—600	0.5 to 1.2 metres	4097
600—1200	1.2 metres and above	21,446
600—1200	0.5 to 1.2 metres	641
(b) *Oil Reserves* (Offshore and onshore)		
		Total
(i) Initial Geological Reserves (oil-in-place)		1739.88
(ii) Net Recoverable Reserves left after production as on January 1, 1978		316.5

Policy : Govt. of India Planning Commission, New Delhi, 1979, pp. 18-20

Source : Report of the Working Group on Energy.

run problems. Short run problems arise due to the lack of infrastructural facilities hence irregularities in the supply of coal and power, which are the chief forces behind the low industrial production, under-utilisation of capacity etc. Second due to rapid rise in the price of oil, increasing financial resources are needed for mobilising the same level of oil input. This, on the one hand, is leading to increasing production cost and, on the other hand, major portion of total oil consumed being imported, increasing outflow of foreign exchange is hindering various other developmental programmes. Due to widespread linkage effects the overall inflationary situation cannot be avoided.

Long Run Problem

The long run problem arises from the inherent non-replenishable character of the fossil and nuclear fuels. Since at the present rate of consumption, the fossil fuel reserves are expected to get exhausted within next half century or so the long run problem is going to take a new shape. Because, in the long run to substitute for fossil fuel various renewable sources of energy like water and solar radiation have to be mobilised. But there are various technological and economic problems in mobilising these resources till today as the technological developments are still at the experimental stage and the cost is also high compared to the existing technologies.

The energy-intensive industries, which are the vital sectors of the economy, are at cross-roads due to the several problems in mobilising the energy resources, as discussed above.

Since in the short run inflationary situation is inevitable, efforts must be directed towards reducing it without imparing the rate of growth. In this context we may think in terms of inter-fuel substitution—substitution of high cost fuel by low cost indigenous fuel. If we can substitute coal and coal products for oil and oil products in the energy-intensive industries, then in the short run through proper coordination and administration coal supply can be increased to meet the demand of these industries. These possibilities should be studied through quantitative analysis at micro level.

Empirical studies on inter-fuel substitutability in the context of manufacturing industries of Canada,^{3} USA^4, and OECD^5 countries have shown a high degree of substitutability between coal-oil and gas-oil. The policy implication of such findings is that high cost oil may be substituted in the production process by comparatively low cost coal and gas without impairing the growth of output. However, no such empirical work has so far been carried out in India to explore these possibilities. Such findings would help in the projection of future energy demand.

Long run solutions seem rather complicated. In the long run, inter-fuel substitutability would be not between the various fossil fuels but between the fossil fuels and other non-traditional renewable sources of energy like solar radiation or water through thermonuclear fusion process. However, no technological breakthrough has yet been achieved at the commercial level to harness energy from solar radiation or fusion process.

Uncertain Viability

Even if we are optimistic about the technological breakthrough in the long run, still their technological and economic viability to substitute the fossil fuels in in the energy intensive industries in a capital scarce developing country like India are totally uncertain. Nevertheless in in the long run with the scope for technological changes we may think in terms of restructuring of the demand for energy for the energy intensive industries, and that of the economic properties. The former would mean substitution of energy by non-energy inputs like labour and capital while the latter would mean shifting of priorities from high energy intensive to less energy intensive industries. However the former is the guideline for the latter. Inter-input substitutability had far reaching policy implications specially in a developing country like India. Capital-energy complementarity would put the whole idea of energy conservation through capital intensive production process into ambiguity. On the other hand capital-energy substitutability would be the most attractive conclusion for solving the long run problem since in such a case less ener intensive production process would n impair the overall growth rate of th industrial sector.

For a capital scarce, energy scarc and labour abundant country like Indi energy-labour substitutability seems t be most important. If we can effectivel substitute labour for energy in the ir dustrial process without adversely affect ing their growth rate to a very large ex tent, then we shall be in a position to solv the problems arising out of bottleneck in the mobilisation of energy resource and the socio-economic impact of vas unemployed human resources. However such possibilities should be explore very carefully. Again studies in the con text of the US^6 and Dutch manufacturing have empirically shown energy-labou substitutability and capital-energy com plementarity.

In the context of Indian manufactur ing industries no such empirical evidenc is available. Our future policies rest ver much on such findings.

Moreover, since the long run patter of mobilisation of energy resource would depend on the level of demand o the energy intensive industries any forecast for future demand should also tak these inter-fuel and inter-input substitution possibilities into account. The mos effective tool for the analysis of inpu demand being the quantitative approach. Economists today have a very important role to play in this sphere.

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Effectiveness of Monetary Policy

K. Chandrasekher

The author who is associated with Southern India Banks Training College doubts the potential of the monetary policy alone to temper the fluctuations in economic activity. Fiscal operations and general financial discipline among the business community as well as household members must share the responsibility with monetary policy to achieve internal economic stability.

EFFECTIVENESS OF monetary policy has been and still is a widely discussed issue and the most controversial one. Money plays an enormously important role in the nation's economic life as money supply can influence such elements as the amount of employment, the rate of real output, and the price level or its reciprocal, the purchasing power of money. This relationship would be most evident in times of "monetary pathology" —when money somehow gets out of order or when something goes wrong. For example, we have been painfully familiar with inflation, which results as aggregate demand for output rises faster than supplies of real output of goods and services can be increased. The rise in aggregate demand is generally backed or accompanied by increases in supply of money due to expansion in the supply of currency, bank credit or deficit financing by the public authority.

Main Elements

It is the interaction of these two main elements, at any point of time, that determines the price level. One is the money supply in the economy and the other is the production of goods and services in the economy, agricultural as well as industrial production and services. If money supply keeps on increasing, while agricultural and industrial production stagnates, the price level is bound to rise.

According to monetary theory, there is a lower zone in which a shortage of money begins to generate difficulties both for business investment and fiscal policy, and there is an upper zone in which an excess of money begins to become apparent. The range between these lower and upper levels of the money supply is, however, rather wide in advanced industrial countries; in contrast, this range is comparatively narrow in the relatively underdeveloped countries like ours. It is the function of the monetary authorities to keep money supply within these narrow limits so that it will not act as a detriment to the interests of the economy. But this is not an easy task; rather a complex one.

Desirable Feature

Economists believe that some rise in prices is not only an inevitable concomitant of economic growth but often is a desirable feature. A little monetary stimulus, which keeps demand slightly ahead of the supply, may induce higher investment. This is particularly helpful in speeding up the pace of development if this inducement leads to the removal of some of the bottlenecks in production. This would, however, be true only if the price increase is within reasonable limits. A rapid and continuous inflation, on the other hand, would frustrate development efforts and undermine confidence in currency and adversely affect savings because of erosion in the value of money. It is such unhappy experiences with extensive inflation, on the one hand, and recession like the recent one, on the other, that led to demands that monetary authorities try at the very least to prevent money from acting as a source of disorder in the economy.

Monetary policy is defined as policy emphasizing the central banks' control of the supply of money as an instrument for achieving the objectives of general economic policy. Formulation and execution of monetary policy is a continous process. The ultimate objectives of monetary policy are price stability, high level of employment and sustained economic growth. The process and procedures through which the policy is executed in the short run are necessarily more specific than the above mentioned broad goals, but they can never be dissociatedfrom them.

Commercial banks being profit-oriented institutions with normal business behaviour patterns, there is a necessity for the central bank to control the money supply in the economy. Monetary policy is, therefore, directly concerned with the provision of money. In India, monetary policy is essentially the Reserve Bank of India policy which operates primarily through the Bank's exercise of conscious and continuous control of the reserve position of commercial banks. The reserves of commercial banks serve as the basis for expansion or contraction of their loans and investments and the consequent creation or reduction of demand deposits.

Major Instruments

The Reserve Bank of India can regulate the volume of bank credit and money supply through the manipulation of bank rate, open market operations and variable reserve requirements. These three major instruments are known as general or quantitative credit control instruments. These instruments enable the RBI and thus the banking system to control, at least approximately, the total supply of money in the economy. Selective credit controls are basically designed to interfere with the allocation of funds. The above methods can be used singly or in various combinations.

Suppose that at some point of time the RBI decides to encourage an expansion of money and bank credit. The objective may be to prevent an economic recession or to support or increase the rate of economic growth. The RBI is likely to lead off with sizeable purchases of securities in the open market, thus creating additional bank reserves. If the RBI wishes, it may also reduce the reserve requirements of commercial banks; this action does not affect the total of bank reserves but creates excess reserves by lowering required reserves. Thus the initial effect of the RBI purchases of securities and of the reduction of reserve requirements is to create excess reserves for the commercial banks. The RBI is also likely to lower its Bank Rate, both to reduce the cost of borrowing and to signal its desire for "easy money". These actions tend to lower market rates of interest. Banks, on the basis of excess reserves, increase the supply of bank loans, thus putting more money in the hands of the public. Decreases in the cost and increases in the availability of funds serve to increase various types of spending for output; business spending for plant, equipment and inventories; residential and non-residential construction; Government spending for schools and other public improvements; family spending for consumer goods and so on. Such increases in spending directly raise both aggregate money demands for output and national money income.

The Opposite Case

Consider now the opposite case in which the RBI decides to restrict the supply of money and bank credit in order to prevent or slow down inflation or to improve the nation's balance of internal payments. In most cases, the RBI is content to restrain and to hold within low limits the rate of growth of money and bank credit. But in some cases, however, the RBI may seek to bring about actual reduction in the supply of money and bank credit and in others to prevent any further growth for the time being.

In general, the restrictive actions by the RBI are just the reverse of those described above. It is likely to lead off by selling securities in the open market, thus reducing bank reserves. It may also raise reserve requirements of commercial banks. Both these actions serve to put banks in a deficient reserve position, with required reserves above their actual reserves. To regain their reserve positions at least, some banks will increase their borrowings from the RBI. The RBI may also respond with an increase of its Bank Rate, both to discourage such borrowing and to signal its desire to restrict bank lending. It also increases its pressures through credit controls, directing banks to limit their demands for loans from the RBI, to repay loans faster and so on.

Reducing Consumption

These actions lead to increased market rates of interest. The increased cost and reduced availability of funds discourage various types of spending such as business investment, residential and non-residential construction, Government spending for public improvements, and so on. These decreases in spending lower both aggregate money demands for output and national money income. And, with the fall of their incomes, consumers are induced to decrease their spending for consumption purposes.

Open market operations and reserve requirements directly affect the reserve base while the Bank Rate produces its impact indirectly through variations in the cost of acquiring the reserves. While the RBI can regulate the amount of money creation by banks through control of their cash reserves, in practice, the regulation of money supply is not wholly under the bank's control. It is considerably affected by the budgeting (fiscal) operations of the Government over which the RBI has no control. If the Government meets budgetary deficits by borrowing from the RBI, there will be an increase in money supply, both in currency and bank deposits.

The containment of inflationary pressures has been the overriding objective of our monetary policy, even though the economy has made a remarkable recovery in terms of real national income which is estimated to have risen by about 7 per cent in 1980-81 as against an actual decline of 5 per cent in 1979-80. But there appeared to be little relief from inflationary spiral. Wholesale prices recorded, on the basis of monthly average, a rise of 18 per cent in 1980-81 as against 17 per cent in the previous year. The excessive money creation in the preceding two years and the sizeable decline in foreign exchange reserves projected for 1980-81 intensified the problem of controlling monetary expansion during the year 1981-82. The broad strategy monetary policy therefore continued be structured around the growth of mone supply and credit expansion to rat consistent with increases in real incom It was in terms of strategy, which r quired tightening of credit policy i July 1981, that the RBI came out with package of new monetary measures suc as raising of Bank Rate from 9 to per cent and Statutory Liquidity Rati (SLR) to 35 per cent besides increasin the Cash Reserve Ratio (CRR). Psychologically, public confidence that a slowing down in money and credit growt will be achieved is also essential to th dampening of inflationary expectations— a factor which itself is critical for eliciting reasonably prompt response to anti-inflationary measures.

Regulating Liquidity

The RBI has statutory powers to regulate the liquidity in the banking system upto a maximum of 40 per cent of demand and time liabilities—15 per cent under the cash reserve requirement and 25 per cent under the statutory liquidity ratio. In practice, the RBI has been varying the SLR beyond the 25 per cent level indicated in Section 24 of the Banking Regulation Act of 1949. Currently the SLR is fixed at an all-time high of 35 per cent with effect from October 30, 1981. The increases effected in SLR since July 1974 are shown in Table I. It will be seen that SLR was raised step by step from 32 per cent to 35 per cent during this period.

The RBI has also resorted to periodic

TABLE I

Variations in SLR as a Percentage of Total Demand and Time Liabilities Since 1974

Changed with effect from	Raised/lowered from (per cent)
July 1974	32 to 33
December 1, 1978	33 to 34
September 25, 1981	34 to 34.5
October 30, 1981	34.5 to 35

Source: The Reserve Bank of India, Bombay: Report on Trend and Progress of Banking in India 1980-81; p. 20.

variations in the cash reserve ratio from 1973 onwards. Table II shows details of these changes. Within 1973 itself, the CRR was raised rapidly from 3 to 7 per cent. It was lowered to 5 per cent in 1974 and by December 1974, it was further reduced to 4 per cent in two stages. The reduction was made in the 1974-75 busy season as there was a slow-down in the monetary expansion. As a result of this measure, about Rs 120 crores became available as excess reserves to banks. Meanwhile, money supply with the public began rising and the RBI raised the cash reserve ratio from four to five per cent effective from September 4, 1976. As the money supply continued to rise at the rate of 9 to 10 per cent, the CRR was further raised to 6 per cent in November 1976. The RBI also began to impound 10 per cent of the incremental net demand and time liabilities over the base date of January 14, 1977.

Lendable Resources

But later this provision was withdrawn. In May 1981, as the prices were still spiralling, the RBI announced an increase in the CRR from 6 per cent to 7 per cent in two stages—6.5 per cent by July 31 and 7 by August 21. But money supply expanded at the rate of 18 per cent in 1980-81 and perhaps still steeply since then. The CRR was further hiked to 7.25 per cent from November 27, and to 7.5 from December 25. It went up further to 7.75 per cent effective from January 29, 1982. The intention of these monetary measures is to pre-empt as much as 43 per cent of total lendable resources with commercial banks.

In spite of these tight monetary measures, the price level has risen faster than the increase in national income in percentage terms. Table III contains information on national income, money supply (M_1), the price level and the percentage variations in these economic indicators for the period 1974-75 to 1980-81. During this period, the price level has risen from index-point 174.9 to 256.1 (base: 1970-71=100) or at an average annual rate of 10 per cent, whereas national income rose at an average annual rate of only 3.4 per cent. Money supply (M_1) increased at an average annual rate of 15.3 per cent. Many attribute the present high rate of inflation to the phenomenon of black money and to deficit financing by the Government. The size of black money in India is rather big and Sanjeev Gupta had made an attempt to estimate it. His estimates of black money prevailing during the period 1974-75 to 1978-79 are given in Table IV. The absolute size of the black money in India increased from Rs 14,518 crores in 1974-75 to Rs 46,866.80 crores in 1978-79, i.e., more than three times in the five-year period. In percentage terms, in 1974-75 the parallel economy formed nearly 21 per cent of the official national output. By 1978-79, it had increased to 49 per cent. Thus, currently almost half of official income is being produced outside the legal sector. Over and above, this parallel economy has grown at a rate faster than that of the official economy. In the event of credit curbs and scarcity of funds, the business community depends heavily on the unaccounted money sector causing a larger flow of funds in the black money sector. The cost of credit in the unaccounted sector is normally very high which is passed on to the consumer of final goods and services in the form of higher prices.

Apart from the black money market, the deficit financing side of Governmental expenditure and its magnitude are also largely responsible for the price rise in India. Table IV shows the amounts of deficit financing for the period 1974-75 to 1980-81. The amount has grown considerably during this period and the estimate for the period 1981-82 is around Rs 2000 crores. Theoretically, deficit financing is by itself not bad if increases in money supply due to deficit financing are invested in productive activities. But it becomes dangerous when it is applied indiscriminately, and that too largely on non-productive activities. Deficit financing will in all probability lead to inflationary pressures in the economy if it is not accompanied by simultaneous increase in the output of goods and services. But it is not known to what extent inflation can be ascribed to deficit financing as it involves a deep study of the inter-relationship between factors like

TABLE II

Variations in Cash Reserve Ratio as per cent of Total Demand and Time Liabilities

Changed with effect from	Raised/lowered from (per cent)
May 31, 1973	3 to 5
September 8, 1973	5 to 6
September 22, 1973	6 to 7
June 29, 1974	7 to 5
December 14, 1974	5 to 4.5
December 28, 1974	4.5 to 4
September 4, 1976	4 to 5
November 13, 1976	5 to 6
January 14, 1977	—Additional CRR of 10 per cent of the incremental net demand and time liabilities accruing since January 14, 1977.
October 31 1980	Incremental CRR discontinued
July 31, 1981	6 to 6.5
August 21, 1981	6.5 to 7
November 27, 1981	7 to 7.25
December 25, 1981	7.25 to 7.5
January 29, 1982	7.5 to 7.75
February 26, 1982	7.75 to 8 (Proposed but abandoned)

Source : The Reserve Bank of India, Bombay: Report on Trend and Progress on Banking in India, 1980-81; p.20.

deficit financing, price rise, output of goods and services, rate of growth of national income, extent of black money, etc., in clear terms over a period of time. It is apparent that the increase in money supply is partly due to increased credit made available to the Government by the Reserve Bank and partly due to increased credit to the Government by the commercial banks.

Traditionally speaking, monetary policy is supposed to exert its major effect on the economy through its influence on fixed and working capital investment. Of course, investment in plant and machinery is a highly complicated phenomenon. However, it is fairly evident that investment is, in general, not strangely influenced by interest rates. While changes in interest rates and credit availability brought about by monetary policy have some marginal influence over investment expenditures, these effects are so weak that they are easily overshadowed by dynamic forces of surging business activity and rising profits due to a rapid growth of investment. To prove this ineffectiveness of interest rate changes on potential private borrowing, it is pointed out that the effect of higher rates may be just to cause a change in nearly all rates, private and public, with maintenance of approximately the same differentials between them. If interest rate mechanism is chosen to cause a contraction, the desired results may not be achieved. In a period of boom, the level of profit i likely to be much higher than the highes bank rate that can be imposed. If a businessman believes that he can make profit of 25 per cent, then a bank rate o even 20 per cent cannot discourage hin from borrowing. Some monetary economists believe that changes in banl interest rates influence the level of production not directly but through thei effect on the cost to merchant of holding stocks. It is probable that psychological effects of a change in bank rate ha more weight than its direct effect, a ris in bank rate being regarded as a dange signal and an indication of the seriousness of the intentions of the monetar authorities.

TABLE III

National Income, Money Supply and Price Level for the period 1974-75 to 1980-81

Year	Money supply (M_1) (Rs crores)	Percentage change in money supply	National Income (Rs crores) (at 1970-71 prices)	Percentage change in National Income	Price index (base 1970-71 =100)	Percentage change in price level
1974-75	11,556	7	36,752	+0.4	174.9	25.2
1975-76	13,143	10	39,626	+8.7	173.0	0.6
1976-77	15,609	18	40,164	+1.4	176.6	2.1
1977-78	18,383	16	43,857	+7.4	185.8	5.2
1978-79	21,819	22	45,637	+4.1	185.8	—
1979-80	24,274	16	44,328	—5.0	216.8	16.7
1980-81	23,178	18	—	+7.0	256.1	18.1

Note : On various dates starting from January 1978 a number of scheduled commercial banks have classified a larger proportion of their savings deposits as time deposits and a smaller proportion as demand deposits.

Source : The Reserve Bank of India, Bombay: Report on Trend and Progress of Banking in India 1980-81; p.20 and the RBI Monthly Bulletins.

TABLE IV

Black Money and Deficit Financing

Year	Size of black economy (Rs crores)	As percentage of official GNP	Deficit financing (Rs. crores)
1974-75	14,518.06	20.81	720.8
75-1976	18,457.98	25.39	—
1976-77	30,014.84	39.01	130.7
1977-78	34,335.18	39.53	933.0
1978-79	46,866.86	48.78	1,505.7
1979-80	—	—	2,624.2
1980-81	—	—	1,975.1

Source : Sanjeev Gupta : "How Big Is India's Black Economy?", *Indian Express*, dated 18.12.1981 and The Reserve Bank of India Bulletins.

Another factor which reduces the sensitivity of investment to interest rate changes is the market structure and pricing policies in many large industries like steel, automobiles, chemicals, cement, scooters, etc. These industries have oligopolistic market structure and are in a position to increase thei prices in order to pass on any increased interest rates to the customers. Also ir public sector industries like coal, steel, cement, etc. administered prices prevail.

Effect on Investment

Interest rates and credit policy ar liable to affect investment in some sectors more than in others. Public utilities, public works, and small business enterprises are the sectors where there ar strong effects of monetary policy. It ha been pointed out that the existence of a strong unorganised or traditional secto in the money market comprising indigenous money lenders and traders affec the effectiveness of monetary measures The RBI is able to influence only marginally conditions in the unorganised sector.

Our experience shows that it is rathe a gross mistake to rely entirely on th potentials of monetary policy to tempe the fluctuations in economic activity Monetary policy, fiscal operations an general financial discipline among th business community as well as househol members must jointly share the responsibility, if an overall influence appropriat to the needs of internal stability is t be achieved.

Prospects of Crane and Road Rollers

Cranes

THE TOTAL licensed/installed capacity for the industry is about 65,000 tonnes per annum. Some units have been issued registration certificates for a total capacity of about 23,500 tonnes. Production during the last few years has been around 20,000 tonnes. The imports of cranes (power cranes of all types) during the last few years have been of the value of around Rs 100 lakhs. Some exports have been possible, although the quantity is not big.

The main raw materials required in this industry are mild steel plates, structural sections and mechanical and electrical components to suit the characteristics of the cranes to be manufactured. Mild steel plates and structural sections are available indigenously and some electrical components and bearings of bought-out nature are imported at present.

Scope for Collaboration

The bulk of the existing capacity of this industry is for light and medium duty cranes and there is no problem in meeting the requirement of the country for these categories. The manufacture of heavy duty cranes and sophisticated cranes like laddle cranes, soaking pit cranes, cranes for steel mills, container cranes, large wharf cranes for ports, etc. can be taken up as a diversification programme by the existing crane manufacturers and heavy engineering units. The foreign collaboration considered on a selective basis on merits. A list of the existing crane manufacturers is given below.

M/s. Tractor India Ltd., BT Road, Khamarhaty, Calcutta.

M/s. Bulls Wreckers Ltd., Faridabad.

M/s. Pearay Lal & Sons (East Punjab) Pvt. Ltd., Janpath, New Delhi.

M/s. Jessop & Co. Ltd., Netaji Subhash Road, Calcutta.

M/s. Usha Atlas Hydraulics Equipment Ltd., 14 Princep Street, Calcutta.

M/s. Marshall & Sons Co. Ltd., Ambathur Industrial. Estate, Madras.

M/s. Braithwaite & Co. Ltd., Angus Works, Angus, Hooghly.

M/s. Escort Ltd., Mathura Road, Faridabad.

Road Rollers

There are at present nine units in production for the manufacture of road rollers with a total capacity of 1,500 nos. per annum. Production during the last few years has moved around 600 nos. The capacity already installed is adequate to take care of the demand likely to arise during the next few years and as such there is no scope for setting up additional capacity through new units. A list of the present road roller manufacturers is given below:

M/s. Braithwaite & Co., Hid Road, Calcutta.

M/s. Britannia Engg Co, Titagarh, West Bengal.

M/s. Garden Reach Workshop, 43/46 Garden Road, Calcutta.

M/s. Jessop & Co. Ltd., 63, Netaji Subhash Road, Calcutta.

M/s. Sayji Iron & Engg. Co.Pvt. L td., Channi Road, Calcutta (unit in Gujarat).

M/s. Southern Structurals Ltd., 29 A. Chambers Road, Madras.

M/s. Speed Craft Pvt. Ltd., P.O. Sayayanagar, Phulwarishiff, Bihar.

M/s. Vak Engg. Pvt. Ltd., 1/108, Mount Road, Tehnampet, Madras.

M/s. Kamani Engg. Copn. Ltd., Agra Road, Kurla, North Bombay.

ANNOUNCEMENT

From June 1982 *Eastern Economist* will be brought out on every Sunday instead of on Friday as at present. This shift in the day of publication has been made to overcome certain postal difficulties we are facing at present and, in turn, will ensure delivery of the copies covering all major events of the week. Patrons and all concerned are requested to make note of this shift in the publication day of *Eastern Economist*.

CHIEF EXECUTIVE

STATE OF THE ECONOMY

Upward Trend in Industrial Output

UNITS REGISTERED with the Director General of Technical Development (DGTD) engaged in the manufacture of 132 selected items, having a combined weight of 39.7 in the general index of industrial production have continued to maintain the upward trend in industrial production and growth observed during 1981. January-February, 1982 is marked with a growth of 9.3 per cent over January-February, 1981. Combinedly, the overall growth during the 11 months period i.e. April 1981-February 1982 averages to 10.9 per cent when compared to April 1980-January 1981. In this growth, the contribution has been from almost all of the engineering manufauturing sectors and also chemical and miscellaneous manufacturing sectors.

Sector-wise growth statistics during April 1981-February 1982 of engineering industries are mentioned below: Transport equipment—26.7 per cent, manufacture of machinery (excluding, electricals)—14.1 per cent, electrical equipment and appliances—9.2 per cent and basic metal industries—4.8 per cent. Detailed performance during April 1981-February 1982 in some of the sectors is briefly given below:

(A) Transport Equipment: Railway wagons, commercial vehicles, passenger cars, jeeps, motor-cycles, mopeds and bicycles continued to record a high rate of growth in production. Production of railway wagons during April 1981-February 1982 was 16,000 FW Us which was 4,100 FW Us more than last year, thus having a growth of 34.5 per cent. Similarly commercial vehicles manufactured during April 1981-February 1982 were 81,200 which is 28.5 per cent more than the production during the same period last year. Scooters and three-wheelers were the only items where production this year has been less than that during last year, though of late, they are exhibiting an improved trend.

(B) Manufacture of Electrical Apparatus and Appliances: Some of the industries recording significant growth were power transformers, electrical motors, fluorescent tubes, electric lamps, PILC cables, storage batteries, motor starters and contactors, etc. Radio receivers manufactured in the organised sector which has been showing a negative trend upto December 1981 has also started exhibiting positive growth.

(C) Manufacture of Chemical and Chemical Products: This sector with a largest weight of 8.78 comprising various chemicals such as heavy chemicals, thermo plastic, man-made fibres, dyestuffs, fertilizers, miscellaneous chemicals, drugs etc. has recorded sustained rise in production. The overall growth in this sector at the end of February 1982 has come to be 13.4 per cent. Growth in the fertilizers sector has continued to be substantial. While nitrogenous fertilizers recorded growth of 48.2 per cent phosphatic achieved a growth of 13.1 per cent, caustic soda, soda ash, oxygen gas, LDPE, HDPE, synthetic rubber, polyester fibre, malathion, penicillin, streptomycin, etc are some of the other industries showing considerably higher rate of growth.

Indo-Iranian Trade

Iran is keen to buy various items including the basic and infrastructural materials needed for reconstruction of its economy from India in preference to other developed countries. This was indicated when the visiting Iranian Foreign Minister, Dr Ali Akbar Velayati called on the Union Commerce Minister, Mr Shivraj V. Patil, recently. The Commerce Minister welcomed the suggestion of the visiting Iranian Minister and said that India always stood for greater cooperation among developing countries. He stressed the need for increasing trade and economic cooperation between India and Iran.

Dr Velayati suggested that instead of competing in the international market, the exporters of India and Iran could coordinate among themselves in the items which both these countries export so that higher unit price could be realised. He also pointed out that because of geographical proximity between India and Iran and the age old relations between these two, there were greater scope for increasing cooperation.

Stress on Quality

The two Ministers also agreed that Indian exporters should maintain quality of their products. The Commerce Minister said that an Export Inspection Agency had been functioning in India and quality control of export goods were being strengthened. On behalf of the Iranian Commerce Minister, Dr Velayati extended an invitation to Mr Patil, Commerce Minister, to visit Iran.

India's exports to Iran in 1980-81 were worth Rs 121.97 crores as compared to Rs 96.11 crores in 1979-80 and Rs 92.48 crores in 1978-79. Indian imports from Iran were worth Rs 1348.94 crores in 1980-81 as compared to Rs 620.69 crores in 1979-80 and Rs 348.50 crores in 1978-79. India's main exports to Iran comprise of chemicals, leather, textile-yarn, fabrics and related products, iron and steel, metal manufactures, machinery and transport equipment etc. India's main imports from Iran are crude petroleum and petroleum products, sulphur and inorganic chemicals.

Industrial Indiscipline

The National Labour Law Association, which is purely a professional body, has addressed itself to the urgent need to create and establish an effective organisation of all those concerned with labour and capital for proper formulation, interpretation and implementation of labour laws and assist in creating dynamic understanding of industrial relations with a view to improving production and productivity, appropriate distribution of incomes and a fair deal to labour. Appreciating the widespread concern for the increasing indiscipline in industrial undertakings, which hampers production and productivity, the Association is organising a 3-day course in New Delhi on May 13 to 15 on 'Roots of Industrial Indiscipline and its Legal and Extra-Legal Remedies.' The aim is to help developing a deeper understanding of the various aspects of such indiscipline and define the management options in taking corrective action within and beyond the legal frame-work for disciplined behaviour. The problem of industrial indiscipline is multi-faced. Hence, there is need for managerial skills of a high order in dealing with the vocal organised work-force whose aspirations for a better quality of life are quite natural in a democratic set-up based on adult franchise.

India-Romania Cooperation

India and Romania have recognised the scope for joint execution, joint tendering and sub-contracting in the third country projects especially in the power, steel, textile and petro-chemical sectors. It has also been agreed that apart from know-how and equipment, Indian consultancy and management services could also be associated in the execution of these projects. A protocol between the countries was signed recently on the conclusion of the sixth session of the Indo-Romanian Joint Commission for Economic, Technical and Scientific Cooperation, which began on April 26, 1982. The protocol was signed by Mr Shivraj V. Patil, Minister of Commerce, on behalf of India and by Mr Neculai Agachi, Minister of Metallurgical Industry, on behalf of Romania.

The Joint Commission reviewed the implementation of the decisions taken at the fifth session of the Commission and expressed satisfaction at the progress made in trade and economic cooperation between the two countries. Special mention was made of the pelletisation plant set up in Kudremukh with assistance from Romania and hope was expressed that this plant would commence functioning within the time schedule agreed upon, i.e., by the middle of 1984.

Balancing Steps

The implementation of Indo-Romanian Trade Protocol 1982 was reviewed. The Romanian side mentioned that they have concluded contracts valued at over Rs 190 crores for exports from India in order to rectify the existing imbalance which is largely in favour of Romania. The Indian side stressed the need to closely monitor actual shipments on a quarterly basis to ensure that the contracts are fully implemented. Both sides have agreed to make earnest efforts to achieve at least actual turnover of 3300 million rupees during the current year as against last year's performance of 1800 million rupees.

The trade agreement between India and Romania was initially signed in 1959 and it is being extended from time to time. The current agreement was signed on December 2, 1980 and is valid for 5 years from 1981 to 1985. The agreement provide for the conduct of the trade between the two countries on a bilateral, balanced basis. Payments for all commercial and non-commercial transactions are to be made in Indian rupees only. Annual trade plans are to be drawn up every year setting out the items for imports and exports.

Fertilizers constitute around 50 per cent of India's total imports from Romania. The other major items of imports are machinery and equipment like oil field and refining equipment, rolled steel products, railway equipment and newsprint. Iron ore constitutes about 75 per cent of our total exports to Romania. Other major items of exports are leather, ferro manganese, coffee and engineering goods.

The trade plan for 1982 between the two countries envisage a total trade turnover of Rs 262 crores. The plan aim at increasing the trade turn-over by 9 per cent as compared to the target set in 1981. A supplementary protocol was concluded alongwith annual trade protocol for 1982 providing for exports of items such as leather, manganese ore, raw jute and jute goods, de-oiled cakes/extrac-

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Bajaj gives it many shapes and sizes.
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BJMP 420
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BJI 240 DP
BJEF 12/16/18
BJPTI 80/125
BJEF 22
BJMIP 80/125
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tions, coffee, engineering goods, etc. The value of these items is around Rs 65 crores. The supplementary protocol was concluded with a view to increasing exports to Romania and reducing the growing imbalance in trade.

Levy Cement for Industry

The Government has identified five categories of large and medium scale enterprises in the organised sector which will be entitled for drawing levy cement under the dual price and distribution policy of cement for the purpose of factory construction.

In a notification issued recently, the Industry Ministry has decided to allocate levy cement to such large and medium enterprises which first, are being established in 'No industry districts'; second, to such industries which are being established in industrially backward districts or areas recognised by the Centre; third, to such industries which are export oriented having an export obligation of 60 per cent and more; fourth to all Appendix-I industries; and last to all industries in the Central or State public sectors as also in the co-operative sectors.

The notification said that these categories of industries will receive levy cement from the Central quota under the control of the Cement Controller.

Nonetheless the industrial units coming up in the small scale sector would be entitled for levy cement both for construction of factories as also for meeting their raw material requirements, but from the respective State Governments.

The Government had announced its decision on partial decontrol of cement as a part of the Union Budget for 1982-83 presented to Parliament by the Finance Minister, Mr Pranab Mukherjee, on February 27 last.

It was then decided that levy cement would be available only for factory construction. However, following representations from a large number of industries using cement as raw material, the Government decided to extend the eligibility for levy cement to even such small scale industries which use cement as raw material.

IDBI Loans

The Industrial Development Bank of India has begun granting foreign currency loans for the import of capital equipment as part of its normal project financing operations.

This is a follow-up to IDBI's successful raising of its first foreign currency borrowing of $25 million as syndicated Euro-currency loan in the formalities for its utilisation.

IDBI has also made arrangements with the import licensing authorities for the issue of import licences for January 1982 and the completion of this purpose. Further, IDBI is now equipped for opening letters of credit for the import of capital equipment, acquisition of technical know-how and other services.

Non-levy Cement Price

The Cement Manufacturer's Association (CMP) has lashed the open market prices by as much as Rs 10 per bag with its decision to fix the ceiling price of Rs 60 per bag of cement.

Earlier, the ceiling price for cement was Rs 70 per bag, which was fixed for Maharashtra followed by Rs 65 per bag for Gujarat, Karnataka, Kerala, Jammu and Kashmir, Sikkim and North Eastern States and Rs 62 per bag for Delhi, Punjab, Haryana, UP, West Bengal, Tamil Nadu, Andhra Pradesh, Bihar, Rajasthan, Orissa and Madhya Pradesh. However, the effective ceiling price came to be Rs 68 per bag on the Bombay market, since the imported cement was selling at this price.

According to a CMA press release issued recently, the ceiling price of Rs 60 per bag is applicable to Jammu and Kashmir, North Eastern States, Kerala and Maharashtra.

The Association has further notified a price of Rs 56 per bag which will be applicable in all the other States in the country. In other words, the price of Rs 60 per bag will be the ceiling price for all parts of the country. CMA has been forced to reduce its prices following a slump in the domestic market particularly in Bombay where most of the manufacturers rushed their levy-free supplies to take advantage of the then prevailing high prices.

Following the new dual-price and distribution policy cement prices which ruled at Rs 135 per bag in January 1982 and at Rs 100 in February, have now come down to Rs 60 per bag.

According to CMA, the prevailing prices have been revised by the producers in consultation with each other and with immediate effect has been decided on the new ceiling prices at the retail level. This price is exclusive of State sales tax and local levies such as octroi etc. It said that the earlier ceiling prices were inclusive of State sales tax and local levies such as octroi. "These rates vary from State to State and have been causing avoidable confusion in determining a correct prices with reference to the sources of supply."

Sugar Unit in Indonesia

The Triveni Engineering Works Limited is to set up a sugar plant on a turn-key basis at Caming, Indonesia. The company has been awarded this contract against stiff global competitions. The contract, valued at £29 million, will be completed by the middle of 1984. It will have a capacity of 3,000 tonnes of cane crushing per day with provision for easy extension to 4,000 tonnes.

The Government of Indonesia in its effort to make the country self-sufficient in sugar has undertaken a massive programme of building new sugar factories and rehabilitating th old ones. Under this programme, the Government intends to set up 18 new suga factories in Java and othe islands of Indonesia. There i also a plan to rehabilitate 47 old sugar factories. Total expenditure contemplated is over $1.5 billion.

According to Mr Dhruv M. Sawhney, President, Triveni Engineering Works, the company has entered into a contract with a local company in Indonesia to undertake civil works, erection, fabrication, handling and transportation up to the plant site. Under the Indonesian Government's regulation, 30 per cent of the work in value terms has to be done locally.

This project will be financed under a buyer's credit from the recently formed Exim Bank of India.

Master Plans for Tourism Development

The implementation of the master plans for the development of various tourist places will be initiated during the current financial year. Announcing this at the meeting of the consultative committee of the Members of Parliament attached to his Ministry, Mr A.P. Sharma, Minister for Tourism and Civil Aviation said that the master plan or the land-use plan of the Mewar Complex has been completed and is awaiting approval and notification by the State Government. The Master Plans of Piprahwa, Fatehpur Sikri and Brajbhoomi complex are nearing completion. The preparation of master plans for new centres such as Lalitgiri, Udaigiri and Ratnagiri in Orissa wil be taken up during 1982-83.

The Minister informed th Members that the study o "Employment Potential o Tourism" has recently bee completed and the draft repor of the study is under examination. The study makes available the estimated employmen potential of tourism, bot direct and indirect, covering a the segments of tourism industry. The Members were informed that to provide adequat funds for the on-going scheme pasrticularly those relating to Aiad 1982, the orginal plan outlay for India Tourism Development Corporation of Rs 11 crores for 1981-82 was enhanced to Rs 14,50 crores. For the Annual Plan 1982-83, an outlay of Rs 10.20 crores has been approved.

For the 1982-83 Annual Plan of the Civil Aviation Department, an outlay of Rs 29.75 crores has been allocated. Out of this, Rs 24.24 crores is for 'on going' schemes and Rs 5.51 crores is for 'new schemes.' This outlay includes Rs 1.37 crores for 'continuing' schemes and Rs 21 lakhs for 'new' schemes for Vayudoot Services. The Minister also said that the aeronautical communication service at various airports was being modernised and orders for communication and radio equipment totalling about Rs 9.6 crores have been placed during 1981-82.

Sugar Output

With a production of 66.05 lakh tonnes till April 15, the sugar industry has already surpassed the previous record output of 64.61 lakh tonnes, set in 1977-78. According to industry sources, sugar production has already crossed 71 lakh tonnes by end of April with about 275 sugar factories out of 319 still in operation. Production will be near 80 lakh tonnes during the current sugar year as cane supplies to mills at present are normal.

The Indian Sugar Mills Association in a recent press release said that sugar porduction during the first fortnight of April was about 6.10 lakh tonnes against 2.55 lakh tonnes during the same period last year. Cumulative production till April 15 this year was 66.05 lakh tonnes against 48.10 lakh tonnes during the same period last year with less than 75 factories in operation then.

The total offtake till April 15 was about 25.42 lakh tonnes for internal consumption and 2.05 lakh tonnes for export against 24.94 lakh tonnes for internal consumption and 60,000 tonnes for export during the corresponding period last year.

The closing stock of sugar as on April 15 was accelerated further and touched the all time high of 46.37 lakh tonnes against 29.53 lakh tonnes on the same date las year.

Fighter Brake Pads

The Hyderabad division of Hindustan Aeronautic Ltd (HAL) has plans to manufacture a large range o brake pads for modern fighter and transport aircraft. The same is being developed by the Defence Metallurgical Research Laboratory (DMRL).

At present, HAL is manufacturing brakes pads for MiG-21 aircraft. The future programme would include the manufacture of brake pads for fighter as well as transport aircraft.

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COMPANY AFFAIRS

Birla Jute Cuts Dividend

THE BIRLA Jute Manufacturing Co Ltd recommended a 4 per cent cut in equity dividend at 6 per cent for the year ended March 1982 because of the setback in working in all divisions, particularly in jute. Despite a small increase in its turnover from Rs 98.08 crore to Rs 104.44 crore, the gross profit for 1981-82 nose-dived to Rs 5.05 crore from Rs 8.28 crore in the previous year.

It would certainly not have been possible for Birla Jute to recommend a 6 per cent ordinary dividend had it not been operating in cement, calcium carbide and staple fibre.

Mr S.K. Ghosh, Industrial Adviser, told newsmen in Calcutta recently that the unit value realisation of jute goods declined further in 1981-82 over the previous year. Describing 1981-82 as a particularly difficult year for the jute industry, Mr Ghosh said the mills were losing over Rs 1,500 a tonne in carpet-backing and more than Rs 1,000 in hessian. Only when the Government decided earlier this year that jute bags would be purchased on cost plus basis, sacking price improved.

Mr Ghosh did not believe that "the long-term prospects for the jute industry are not at all bright." Production of carpet-backing cloth had been drastically cut. Hessian usage in the United States was steadily declining. The process seemed to be irreversible. Bangladesh might discount jute goods prices, but this would not result in additional business, observed Mr Ghosh.

Mr S. Prasad, President (Finance) informed that the company's new cement unit at Satna with an installed capacity of 800,000 tonnes would go on stream by the end of this year. The unit involving an investment of about Rs 40 crore will have a single kiln of 2,500 tonne capacity a day.

Birla Jute's total cement production in three places—Durgapur, Chitore and Satna—amounted to 12.26 lakh tonnes (12.21 lakh tonnes). Production would have been better but for power shortage. At Chitore, power cut ranged from 40 per cent to 60 per cent.

Depreciation claims Rs 388.58 lakh (Rs 415.71 lakh) and investment allowance reserve Rs 59.63 lakh (Rs 146.38 lakh). The provision for taxation is nil (Rs 100 lakh). The net profit is substantially lower at Rs 56.60 lakh (Rs 165.96 lakh) to which is added Rs 5.88 lakh (Rs 10.58 lakh) being income-tax refund for earlier years. The provision for proposed dividend is Rs 49.30 lakh (Rs 81.21 lakh). A sum of Rs 13.18 lakh (Rs 95.33 lakh) is being transferred to general reserve.

E. Merck (India)

E. Merck (India), which recently made a public issue of shares, has reported excellent result for 1981. Its gross profit has increased by 72 per cent to Rs 1.65 crore from 96 per cent for the previous year.

The Directors have proposed a dividend of 14 per cent for 1981. The new shares qualify for the dividend on a pro-rata basis from the date of allotment. The total dividend distribution will amount to Rs 55.65 lakh against Rs 31.66 lakh.

The company's sales have increased to Rs 16.52 crore from Rs 14.08 crore. Its exports amounted to Rs 105 lakh against Rs 80 lakh.

According to Mr V.H. Crasto, Managing Director, the company is expected to achieve a further improvement in its performance during the current year.

The company's progress in 1981 was mainly because of the rigid economy measure adopted by the management.

The company's various expansion programmes are under implementation. Its new plant for the export-oriented Vitamin 'E' project at Goa is expected to go into production by the end of this year. Substantial expansion in fine chemicals at Taloja is proceeding satisfactorily and as per schedule. The total investment in these two projects is Rs 2 crore. A further Rs 1 crore is also invested in modernising the pharma plant at Taloja so as to conform to the requirements of World Health Organisation. Its sales for the first four months amounted to Rs 6.56 crore as against Rs 4.40 crore achieved in the same period of 1981. Exports have amounted to Rs 82.2 lakh in the first four months.

The company's pre-tax profit for 1981 amounts to Rs 1.33 crore against Rs 77.57 lakh after providing Rs 21.08 lakh (Rs 16.70 lakh) for depreciation and Rs 11.55 lakh (Rs 1.74 lakh) for investment allowance reserve. The provision for taxation is higher at Rs 77 lakh compared to Rs 46 lakh. A sum of Rs 20.25 lakh is transferred to general reserves.

Ceat Tyres

Ceat International SA, the foreign collaborators of Ceat Tyres of India Ltd, have decided to sell 58,776 shares, which represents 11 per cent of the equity capital of the Indian company, to Mr H.V. Goenka and Mr S. Goenka.

Revealing this in his annual statement to shareholders, the Chairman, Mr P.A. Narielwala, says the shares are sold with a view to reducing the foreign equity in the company to below 40 per cent. This will free the company from restrictions under the Foreign Exchange Regeulation Act, 1973.

Ceat International has applied to the Government of India for the necessary permission.

Mr Narielwala has announced that he will lay down his office as Chairman. He has been a Director of the company from the time of its registration 25 years ago and became Chairman in March 1964.

Mr Narielwala says in his statement to shareholders: "When I leave the company I shall do so with the full knowledge that the future of your company is bright and assured."

He said: "It was not my intetion to seek re-election at the annual general meeting of the company on May 14, 1982, but I have acceded to my colleagues' wishes that I should continue for some time. The reason for my reluctance to continue is simple enough, viz., my advancing age. I may, therefore, retire from the board without completing the full term."

Associated Bearing

Mr A. Hydari, Chairman, Associated Bearing Company Ltd, told shareholders recently at the annual meeting in Bombay that the company was on the threshold of another expansion. All sanctions and licences for the project are in hand and the building work at Chinchward is going according to plan.

Apart from tying up loans for rupee and foreign funds, the company recently obtained the Reserve Bank's approval for accepting additional deposists from public and shareholders for the working capital requirements.

The deteriorating situation in the textile industry and certain other constraints on component production has reduced offtake of the company during the first four months of the current year. However, the general situation would improve before long and the results for the current year would not be affected, the Chairman felt.

J.K. Industries

J.K. Industries Limited (J.K. Tyres) achieved a turnover of Rs 101.01 crore during the year ended December 31, 1981 as against Rs 58.10 crore in the previous year, thereby showing an increase of 74 per cent. The company's gross profit before interest doubled to Rs 7.44 crore (Rs 3.50 crore). After providing interest, the surplus is Rs 2.63 crore.

The company's expansion programme, costing Rs 10 crore, is under various stages of implementation and is expected to go on stream by first quarter of 1982.

Uptron

For the year ending March 31, 1982, the turnover of UPTRON from direct sales was over Rs 15.61 crores. This was approximately 230 per cent of the figures achieved by the company last year. The group turnover also went up from Rs 14 crores last year to Rs 32 crores during the year 1981-82, also registering an increase of 230 per cent. Almost all the companies in UPTRON group registered substantial increases in their business and profitability. It is expected that UPTRON's turnover through its direct operations during the year 1982-83 will exceed Rs 22 crores and group turnover will be around Rs 40 crores.

It has been revealed that in addition to present lines of manufacturing and sales activities, the company will manufacture colour TV, metal film resistors and UHF radio communication equipment during the current financial year. The company is also in the process of establishing a separate Electronics Design & Development Centre at Lucknow to support the growing need for R & D support not only to UPTRON but also to other units in the State. UPTRON has not only shown remarkable vitality in difficult areas of high technology such as micro-processor based systems and international grade components, it has also become the brand leader in the field of consumer electronics. UPTRON TV is now recognised as a leading national brand in the country.

Apart from its commercial success, it has been in the forefront of promotional activities in the State of Uttar Pradesh, having successfully set up 7 functional electronics complexes and spawned a number of entrepreneurs. Alive to its social responsibilities, it has now taken effective steps for taking electronics into the hills and backward districts of eastern UP by setting up a chain of small scale units. Initially these small units would make medium technology items, wholly designed and supported by UPTRON, who will also market them. As the level of competence grows decentralised production of more sophisticated items will be established. In order to make a headstart the Corporation has set up three area offices at Dehradun for the Garhwal Region and at Almora and Bhimtal to cover Kumaon Region. It is also starting a similar office in Gorakhpur to promote electronics in the Eastern UP.

Hind Dorr Oliver

Dr B.V. Bhoota, Chairman of Hindustan Dorr-Oliver, has told shareholders at the annual general meeting in Bombay that the company's sales have shown a distinct improvement over the last few months. Deliveries of plant and machinery comprising stainless steel pulp bleaching equipment for the Rs 8-crore order from Hindustan Paper Corporation for the Naogong project commenced in March last and is expected to be completed by the end of the current year.

According to Dr Bhoota several export contracts obtained during 1981 from Tanzania, Uganda, Kenya, Indonesia, etc. will be executed and completed during the current year. The company has also successfully contracted several key projects for effluent treatment from companies such as NOCIL, TELCO, HCP and others. A major contract has been awarded by Hindustan Zinc for its residue recovery project.

Dr Bhoota has said that several other proposals are under negotiation in the fields of the company's specialisation, particularly phosphatic fertilisers. On an overall basis, the company escpects to turn out a better performances during 1981-82.

Automobile Products

Automobile Products of India (API) turnover for the first four months (January to April last) at Rs 10.35 crore has been 45 per cent higher than Rs 7.10 crore of the corresponding period of the last year. The outcome has been an estimated profit before tax of Rs 30 lakh against a loss of Rs 40 lakh previously, according to Chairman M.A. Chidambaram.

Mr Chidambaram has told the annual general meeting in Bombay that the year's sales target is Rs 45 crore agains the previous year's actual sale of Rs 28 crore. The company has on hand orders to the tune of Rs 27 crore. It is expected to earn a profit adequate enough to clear the entire arrears of preferential dividends amounting to Rs 39.26 lakh.

He has stated that the company proposed to set up a moped project in Tamil Nadu with a capacity of 60,000 units at a cost of about Rs 7 crore. The project is scheduled to be commissioned by the end of 1983.

The Chairman has said that Kerala Automobiles, which was establishing a project for manufacture of three-wheelers in technical collaboration with the company, is expected to start production by September, 1982. The Kerala company has also entered into a marketing agreement with the company. This will bring in an additional income by way of commission on sales of its products.

Union Bank of India

Total deposits of Union Bank of India at the end of December, 1981, have risen by Rs 286 crore or 19.6 per cent from Rs 1437 crore in 1980 to Rs 1723 crore. The rise in deposits has been in all categories of deposits,

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current, savings and time, during the year.

The bank's priority sector credit have increased from Rs 279 crore to Rs 353 crore, an increase of Rs 74 crore accounting for over 43 per cent of the non-food credit expansion during 1981. The share of priority sector credit in bank's advances, thus, has improved from 35.5 per cent at the end of 1980 to 36.8 per cent in 1981.

The bank opened 137 branches during 1981, including its first overseas branch in London in February, 1981, taking the total number of branches to 1309. Nearly 85 per cent of the branches opened during 1981 were located in rural and semi-urban areas.

The bank's agricultural finance have totalled 43 per cent of the total priority sector advances and the credit flow to small and marginal farmers constitutes 4I per cent of the total direct lending to agriculture. The advances to small industries have risen from Rs 107 crore to Rs 133 crore in 1981.

In the field of foreign operations, the bank has taken further strides with the export turnover totalling Rs 725 crore, nearly 10 per cent of the country's exports. The bank's total income has increased by Rs 27.7 crore to Rs 152.4 crore, while the bank's expenditure has risen by Rs 27.5 crore to Rs 150 crore. The net profit for 1981 is Rs 2.36 crore against Rs 2.32 crore in 1980. After appropriating Rs 81 lakh towards the statutory reserve fund and Rs 125 lakh in contingencies for paying bonus to the staff, the balance of Rs 30 lakh has been transferred to the Central Government.

Cyanamid Outlook

Mr Sisir Mitra, Chairman of Cyanamid, feels that the company's pharmaceutical operations for most of the current year will continue to be under severe stress of escalating costs and uneconomical selling prices, and the agricultural business growing and expanding both in sales and profits.

In his annual statement to the shareholders, Mr Mitra has said the unrealistic pricing mechanism under the Drugs (Price Control) Order, 1979, continues to cut into the vitals of the industry, unmindful of the galloping rise in the cost of all inputs such as raw materials, packaging supplies, power, freight, wages and other essential components of business. Many of the price revision applications made last year are still pending with the Government and the costs shown therein have no relation to current prices.

Referring to the efforts by the management to solve the labour problems and to step up productivity at the company's plants, Mr Mitra has stated that an improvement in the overall performance of the company in the current year is already visible and the company should be able to achieve better results.

Oriental Bank of Commerce

Oriental Bank of Commerce has made considerable progress in 1981 with deposits rising by Rs 81.06 crore to Rs 396.32 crore, a growth rate of 25.71 per cent as compared to 17.70 per cent of all scheduled commercial banks.

The banks's advances have increased by Rs 55.34 crore to Rs 223.64 crore. Food and priority sector advances account for Rs 19.80 crore (Rs 12 crore) and Rs 72.56 crore (Rs 48.70 crore), respectively. The priority sector's share in total advances works out to 32.4 per cent. The Agricultural credit has increased from Rs 15.68 crore to Rs 26.87 crore, and small-scale industry credit from Rs 24.23 crore to Rs 30.08 crore. The number of beneficiaries under the priority sector has gone up from 20,381 in 1980 to 34,586.

The bank has opened 36 branches during 1981, taking the total to 363. Out of this 30 branches are in rural and semi-urban areas. At present, the ratio of such branches to total branches comes to 67.77 per cent. As on December 31, 1981 the bank had 42 RBI authorisations/licences in hand.

The bank has made a net profit of Rs 45.36 lakh. Out of this Rs 17.72 lakh has been transferred to reserve fund, Rs 28 lakh to contingency account for bonus to staff and the balance of Rs 9.64 lakh has been transferred to the Central Government.

Dhrangadhra Interim

The Directors of Dhrangadhra Chemical Works have announced an interim dividend of seven per cent for the year ended March 31, 1982.

Tata-Finlay

James Finlay and McLeod Russel have, on behalf of themselves and other sterling companies have entered into an agreement, to sell the shareholdings of their sterling companies in Tata Finlay Limited to Tatas, their associates and nominees.

An agreement to this effect was signed in Bombay on May 5, 1982. Necessary steps to give effect to this agreement are being initiated.

Tata Finlay Limited was founded in 1962 on the basis of a partnership between James Finlay and Tatas for the manufacture of packet teas and, for the first time in India, of instant tea.

In the process of rupeeisation of the erstwhile sterling tea companies owned by James Finlay and/or McLeod Russel, Tata Finlay Limited acquired the assets in India of these sterling companies in January 1976. As a result, Tata Finlay Limited emerged as the largest and the most diversified tea company in the country.

Meanwhile, Tata Finlay has incurred a loss during 1981 because of the unremunerative prices, lower tea crop and higher manufacturing costs. Its operating gross has declined to Rs 6.66 crore from Rs 7.14 crore despite a rise in turnover to Rs 75.40 crore from Rs 73.11 crore.

The directors have proposed to skip the equity dividend for 1981 because of the loss amounting Rs 2.05 lakh after making provisions for interest, depreciations and taxation. Its interest burden has increased sharply to Rs 4.17 crore from Rs 3.05 crore, while depreciation claimed Rs 2.24 crore against Rs 2.04 crore.

Further, a sum of Rs 27 lakh (Rs 1.51 crore) is provided for taxation, which is higher than the pre-tax profit of Rs 24.95 lakh. The higher taxation provision is because of the grossly inequitous taxation system. Losses made in one State cannot be set off against the profits made in another for determining the actual amount of income liable to taxation.

Bata India Ltd

Mr M.M. Sabharwal, Chairman, Bata India, has stated that the operations at the company's unit at Batanagar continued to be a drain on the overall performance of the company, the unit incurring loss during 1981. He has told the shareholders at the company's annual meeting that unless the viability of Batanagar operations was resolved satisfasfactorily, there was little hope of breakthrough in the company's overall performance.

Referring to the future prospects, he has said that the footwear industry had a tremendous potential in India. The buying power of the people was increasing and there was a definite shift in the customers relating to wearing of shoes. The immediate requirement was to continue to develop and supply inexpensive but good quality footwear to the market at the same time making available excellent quality fashionable shoes.

Mr Sabharwal has stated that the company continued to extend, in the fullest measure, its help and cooperation to the small-scale sector by developing ancillaries, supplying raw materials and helping the shoe manufacturers with designs, finance and marketing assistance through Bata shops spread all over the country.

New Industrial Licensing Policy

RECORDS AND STATISTICS

The following are annexures to the study we have published on the new licensing policy by Dr S.K. Goyal in the issue dated April 30, 1982.

Annexure—I

Additional Items and Elaboration of the Existing Items in 'Appendix—I'

Industry	Newly Added Items.
1. Metallurgical Industries	Automotive castings, SG iron castings, aluminium foils, Sponge Iron and Pelletisation.
2. Prime Movers (other than Electrical Generators)	Alternate energy systems like solar, wind, etc. and equipments thereof, Gas/-Hydro/Steam Turbines from 20 mw. to 60 mw.
3. Electrical Equipment	Power and distribution transformers, power relays, HT-switchgear, synchronous condensers, industrial furnaces, component wires for manufacture of lead-in-wires, Hydro/steam/gas generators from 20 mw. to 60 mw.
4. Transportation	Mechanised sailing vessels up to 10,000 DWT including fishing trawlers, public transport vehicles including, automotive commercial three-wheeler jeep type vehicles, industrial locomotives, personal transport vehicles: (i) passenger cars; (ii) automotive two-wheelers and three-wheelers. Regarding two-wheelers, only expansion of existing units, subject to an export obligation of 25 per cent on additional capacity; Specialised automotive components, such as pistons and piston rings, fuel injection equipment; auto-electricals, such as starter motors, generators, spark plugs, rear axle assembly, brake and clutch assembly, tyre/tube valves, wheels for automobiles and bimetal bearings.
5. Industrial Machinery	Specialised equipment for industrial machinery: (1) High performance and high fidelity industrial valves as may be specified by the Ministry of Industry, (2) Centralised Lubrication systems; (3) Gears, gear boxes and couplings; (4) Rolls for paper mills, rolls for rolling mills; (5) Pollution contro equipment; (6) Process equipment for utilisation of recycling of wastes.
6. Machine Tools	Controls and accessories for machine tools, cross land tooling, engineering production aids such as cutting and forming tools, patterns and dies and mining tools.
7. Earth Moving Machinery	Construction machinery and components thereof.
8. Industrial Instruments	Electromedical Instruments and laboratory equipment.
9. Chemicals	Petro-chemicals: (1) Catalysts and Catalyst supports; (2) Photographic chemicals; (3) Rubber chemicals; (4) Polyols; (5) Isochyantes, Urethanes, etc.; (6) Speciality chemicals for enhanced oil recovery; (7) Heating fluids; (8) Coa tar distillation and products therefrom; (9) Tonnage plants for the manufacture of industrial games; (10) High altitude breathing oxygen/medica oxygen; (11) Nitrous oxide; (12) Refrigerant gases like liquid nitrogen, carbon dioxide etc. in large volumes; (13) Argon and other rare gases; (14) Alkali/acid resisting cement compound; (15) Leather chemicals and auxiliaries.
10. Paper and Pulp Including Paper Products	Industrial laminates

—Contd.

Industry	Newly added items
1. Automobile Tyres and Tubes	Automobile tyre, tube valves, rubberised heavy duty industrial beltings of all types, rubberised conveyor beltings, rubber reinforced and lined fire fighting hose pipes.
2. Plate Glass	Float glass, toughened glass insulators, glass fisheres of all types.
3. Ceramics	Ceramic fibres.
4. Cement Products	Gypsum boards, wall boards and the like; high technology reproduction and multiplication equipment.
5. Printing Machinery	(1) Web-Feb high speed offset rotary printing machines having output of 30,000 or more impressions per hour; (2) Photo composing/type setting machines; (3) Multi-colour sheet-fed offset printing machines of sizes 18″×25″ and above ; (4) High speed Rotogravura printing machines having output of 30,000 or more impressions per hour.
16. Carbon and Carbon Products	(1) Graphite electrodes and anodes; (2) Impressive graphite blocks and sheets.
17.	Pretensioned high pressure RCC Pipes.
18.	Rubber machinery.

Annexure—II

List of Larger Industrial Houses and Foreign Controlled Companies Producing Items Reserved for Small Scale

S. No.	Name of the Company	Product	Unit	Licensed Capacity	Actual Production	Percentage of Excess Capacity Utilization	House Associations
1.	Kesoram Inds & Cotton Mills	Sodium Sulphide	Tonnes	79	140	100.0	Birla
2.	Tata Oils Mills	Soaps	”	40,787	95,045	133.0	Tata
3.	Oudh Sugar Mills	Soaps	”	1800	4955	175.3	Birla
4.	Guest Keen Williams	Safety Pins	’000 Nos.	224,640	53,8052	139.5	FCC/GKW
5.	Hindustan Lever	Soaps	Tonnes	70,108	16,2278	131.5	FCC/Hind Lever
6.	JL Morrison	Medicated Toothpaste	Kgs.	31,250	67,196	115.0	FCC
7.	Britannia Indstries	Biscuit & High Protein Food	Tonnes	3600	34,907	869.6	FCC
8.	Barium Chemicals	Barium Caronate	”	600	1323	121.0	Others

ANNEXURE—III

Products Produced by Larger Industrial Houses and Foreign Controlled Companies Covered by Special Regulations

S. No.	Name of the Company	Product	Unit	Licensed Capacity	Actual Production	Percentage of Excess Capacity Uitlization	House Associations
1.	Pfizer	Protein Hydrolysate	Tonnes	110	289.5	163.2	FCC
2.	APV Engineering	Fruit Juice, De-aereators, Pasteurisers	Nos.	3	8	166.7	FCC

—Contd.

1	2	3	4	5	6	7	[8
3.	Glaxo Labs.	Foods	Tonnes	4120	8673	110.5	FCC
4.	HMM	Ghee & Butter	”	255	743	191.4	FCC
5.	Hindustan Lever	Milk Powders incl. Baby Food	”	874	1967	125.1	FCC/Hind Lever
6.	Hindustan Lever	Processed Triglycerides/-Hydrogenated Oils/Vanaspati	”	44624	101,347	127.1	”
7.	Glaxo Labs.	Solids & Powders incl. Ointments & Malt	”	184	654	255.4	FCC
8.	Bayer (I)	Pesticides/ Powders	”	1882	28,139	1395.2	FCC
9.	Bayer (I)	Tablets/Capsules	000 Nos.	48,150	28,3552	488.9	FCC
10.	New Swadeshi Sugar	Spirit	Litres	22,700	2,413,518	10532.2	Birla
11.	Oudh Sugar Mills	Spirit	Kls.	11,500	92,980	707.1	Birla
12.	Brindavan Alloys	Rolled Products	Tonnes	5000	10,209	104.2	Others

ANNEXURE—IV

Big Business and Foreign Controlled Companies having Excess Capacities in Other Products

So. No.	Name of the Company	Product	Unit	Licensedx Capacity	Actual Production	Percentage of Excess Capacity Utilization	House Associations
1	2	3	4	5	6	7	8
1.	Assam Carbon Products	Electrolytic Copper and LF Powder	Kgs.	30,000.0	64,396.0	114.7	FCC
2.	Siemens (I)	Rectifier Cubicles and Misc. Equips.	Nos.	64.5	140.0	115.4	FCC/ Khatau
3.	Bharat Alums and Chmls.	Oleum	MT	3600.0	7790.0	116.4	Others
4.	Simco Meters	MDI Meters	’000 Nos.	10.0	22.0	120.0	Seshasayee
5.	Wood Polymers	Plastic Laminates: Decorative & Indl.	Tonnes	980.0	2157.7	120.2	Others
6.	APV Engg. Co.	Milk Receiving & Storage Tanks	Nos.	12	27	125.0	FCC
7.	Best & Crompton	Transformer Connections	Metres	500	1181	136.2	FCC
8.	Bayer (I)	Pharmaceuticals: Basic Production	Kgs.	24,730	58,507	136.6	FCC
9.	Uniloids	Metronidazole	Tonnes	10.0	24.1	140.8	Others

—Cont

1	2	3	4	5	6	7	8
10.	Boehinger-Knoll	Liquids for External Use	Kgs.	2600	6713	185.2	FCC/Rallis
11.	Cynamid (I)	Antibiotics: Tetracycline	M.T.	10	26.7	167.0	FCC/Lalbhai
12.	Larsen & Toubro	Press Tools, Jigs, Moulds etc.	Lakh Rs.	100	268	168.0	L & T
13.	Glaxo Labs.	Tablets & Capsules	Million	576	1585	175.3	FCC
14.	Mohan Meakins	Glass Bottles	Tonnes	7500	20,727	176.4	Mohan Meakin
15.	Kirloskar Bros.	Hermetically sealed compressor units	Nos.	16,600	38,582	132.4	Kirloskar
16.	Glaxo Labs.	Liquids, Orals Parenterals	Kls.	1207	2810	132.8	FCC
17.	Glaxo Labs.	Chemicals	Tonnes	491	1150	134.2	FCC
18.	Sandoz (I)	Formulation: Tablets	Nos. Million	189	525	177.8	FCC
19.	Elecon Engeeneering	Specialised Conveying Equip., Stacker	M.T.	500	1402	180.4	Elecon
20.	Dhrangadhra Chemicals	Ammonium	”	1300	3707	185.2	S.P. Jain

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21.	Electric Construction. & Equipment Co.	Poly Phase Meters	Nos.	54,000	157,704	192.6	Birla
22.	Indian Plastics	Urea & Melamine Formaldehyde Moulding Powder.	M.T.	200	599	199.5	Birla
23.	Sandoz (I)	Capsules	Mn. Nos.	22	69	213.6	FCC
24.	Searle (I)	Injections	No. of Ampoules	50,000	160,815	221.6	FCC/Rallis
25.	Electric Construction. & Equipment Co.	Single Phase Meters	Nos.	180,000	623105	246.2	Birla
26.	Hindustan Lever	Synthetic Detergents	Tonnes	18,666	67,815	263.3	FCC/Hindustan Lever
27.	Premier Cable Co.	PVC Cables	Kms.	1824	9745	334.3	Others
28.	May & Baker (I) Ltd.	Tablets	Millions	148	829	360.1	FCC
29.	Caprihans (I) Ltd.	Phenol Resin, Varnishes	M.T.	180	1029	471.7	DU
30.	Caprihans (I) Ltd.	Melamine Formaldehyde Resins	M.T.	60	453	655.0	DU
31.	Mettur Chemicals and Ind. Corpn. Ltd.	Bromine	Tonnes	360	4192	1064.4	Seshasayee
32.	Crompton Greaves Ltd.	Metal Cased Plugs and Sockets	Sets	18,000	22,4207	1145.6	FCC/Thapar
33.	May & Baker (I) Ltd.	Injectables	Kls.	17	260	1429.4	FCC
34.	May & Baker (I) Ltd.	Liquids	Kls.	88	1510	1615.9	FCC
35.	Gwalior Rayon	Viscose Staple Fibre	M.T.	22,000	84,013	281.9	Birla
36.	Pfizer Ltd.	Oxytetracycline/Tetracycline and its Formulations	Tonnes	14	53.96	285.4	FCC
37.	Voltas Ltd.	Spares for Forklift/ Handlift/Pallet Trucks	Rs Lakhs	5.00	20.18	303.6	Tata
38.	Metal Box (I) Ltd.	R.S. Closures	'000 Nos.	84,000	342,269	307.5	FCC/Metal
39.	Shriram Refrigeration Co	Water Coolers	Nos.	800	3262	307.8	Shri Ram
40.	Sandoz (I) Ltd.	Liquid	Kls.	263	1340	409.5	FCC
41.	Caprihans (I) Ltd.	Rigid & Flexible PVC sheets	M.T.	1320	4631	250.8	D.U.
42.	Travancore Chemicals & Mfgs. Co. Ltd.	Copper Oxychloride 50% WDP	Tonnes	300	749	149.7	Others

FCC—Denotes a Foreign Controlled Company.

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This Week

May 12

The pound sterling became costlier by five paise following the Reserve Bank of India's devaluation on the rupee by 0.29 per cent. The new buying and selling rates have been fixed to give a middle rate of Rs 17 per pound against the earlier Rs 16.95.

The Union Government has decided to allow export of gur on a first-come-first-served basis within a ceiling. The decision follows increase in production of gur following record sugarcane crop this year.

May 13

The Seventh Finance Commission will be formed in July to review the States' share of the Central revenues, Finance Minister Pranab Mukherjee stated.

The Minerals and Metals Trading Corporation (MMTC) secured a 16 per cent price increase on exports of 7.3 million tonnes of iron ore to Japan during 1982-83.

May 14

The Industrial Development Bank of India (IDBI) sanctioned loans totalling Rs 1.815 crores in 1981-82 registering a growth of 15.8 per cent over the previous year.

The rupee has become dearer by five paise against the pound sterling following its upvaluation by 0.29 per cent. With this revision, the 39th this year, the middle rate per pound came to Rs 16.95 from Rs 17.

The annual rate of inflation came to —0.7 per cent during the week ending May 1, as against 16.1 per cent in the same week last year.

India has concluded an agreement with Austria that liberalises export of cotton textile products to that country.

May 15

The Union Petroleum Minister, Mr P. Shiv Shankar, stated that he was likely to visit the Soviet Union next month to finalise an agreement for the regular supply of crude oil to India on a long-term basis.

May 16

The 20-year perspective power plan being formulated by the Central Electricity Authority (CEA) with three focal points : (a) to set up more hydro-electric projects in future, (b) to identify the power projects to be taken up till the century-end, and (c) to evolve a modern project management technique to avoid delay in the execution of projects.

The 11-member Chinese team led by Mr Fu Hao, Special Envoy of China, reached New Delhi for official-level India-China talks.

May 17

The Netherlands has honoured Prime Minister Indira Gandhi by appointing her commander in the Order of the Golden Ark.

The Union Government announced the first tranche of its market borrowing for 1982-83 with the issue of three loans aggregating Rs 450 crores.

India and Afghanistan have agreed in principle to increase bilateral trade and to correct the imbalance that is presently against India.

May 18

The pound sterling became cheaper by 10 paise following the upvaluation of the rupee by 0.59 per cent. RBI has fixed the new middle rate at 16,85 per pound against the earlier Rs 16.95 per pound. This is the 40th revision of the rupee this year:

The maximum value limit for import of ball, cylindrical, taper, spherical and roller bearings raised to Rs 1.5 lakhs each instead of the present Rs 1 lakh.

India and Bangladesh have decided to resume discussions on sharing of Ganga waters before their interim agreement expires in November.

eastern
ECONOMIST

Deal with Davy Off

THE REVOCATION by the Union Government of the letter of intent granted last year to Davy Mckee of Britain to put up, on turn-key basis, a 1.5 million tonnes integrated steelworks at Daitari, in Orissa, last week-end, just two days before the final deadline for signing the detailed contract, implies neither abandoning of the project nor complete disassociation of the British concern from it. The Ministry of Steel has declared its intention to go ahead with the plant, which was originally envisaged to be established at Paradeep. It hopes that since a good deal of preliminary work has already been done, the revised plan of executing the scheme on the lines of the Visakhapatnam Steel Plant will not entail any delay. Package approach is to be adopted now for the construction and commissioning of the Daitari project. Global tenders from reputed world suppliers for different packages of the steelworks are to be invited soon. The bidders will be required to arrange finance for the respective scope of supplies and services. Substantial progress is claimed to have already been made for arranging part of export finance and Euro-currency credit required. The terms of this arrangement, of course, may have to be re-worked. No difficulty is expected to be encountered in this regard. The official British sources in New Delhi have expressed the view that Davy Mckee would still be associated to some extent with the project. Presumably, it is hoped, that the British concern would get some contracts in the revised programme. It has been hinted by these sources that the on-shore work will be done by Davy Mckee. Some supplies of equipment too might be made available by it. The Steel Authority of India and MECON are being asked to provide the overall design. They are stated to have already drawn up detailed specifications for the major technological inputs as well as the needed infrastructure.

The deal with Davy Mckee is said to has been annulled because the British concern not only tried to wriggle out of the commitment to put up the plant on a turn-key basis but also sharply revised upwards the cost of putting it up to over $4 billion, exclusive of the cost of the portion of the construction to be passed on to India, from the original firm and non-escalating estimate of $2.8 billion. It as well refused to quantify the completion schedule which had been originally fixed at 45 months from the date of the award of the contract. The understanding on arranging funds for the project outside the annual British assistance under the aegis of the Aid-India Consortium too was not adhered to: it was proposed to utilise part of this British assistance for the purpose. Davy Mckee had been entrusted with the job in preference to Mannesman Demag of West Germany because its cost estimate was the lowest and it had agreed to execute the project on the concept of turn-key, fixed price and specified commissioning time schedule. The change of the project site from Paradeep to Daitari, admittedly, would have entailed some adjustments in the understanding with Davy Mckee. But they obviously could not have been of the magnitude which the British concern had asked for.

The endeavours on the part of Davy Mckee to wriggle out of its commitment, especially when diplomatic pressures too had been invoked to win the project, indeed, is intriguing. It could not expect that the Indian authorities would be so naive as to swallow the revised terms without batting an eye. The full story of the Daitari fiasco perhaps will take time to unfold itself. It need not cause any surprise if it turns out that the current excess steel-making capacity in the western world, over which the World Bank expressed concern not long ago, also has been a contributory factor to Davy Mckee's efforts to pull itself out of its commitment.

The concerted endeavours made in the recent past at strengthening Indo-British economic relations apparently will receive some setback as a sequel to the cancellation of the deal with Davy Mckee. The Daitari project is the second one to fall through. Earlier, India went in for the Mirag aircraft in preference to Jaguar. It remains to be seen how far the current India Festival in Britain will help in restrengthening Britain's economic cooperation with India. The Davy Mckee episode makes it abundantly clear that commercial relations between two independent nations have to be guided primarily by economic considerations: political considerations can play only a limited part.

The abrogation of the understanding with Davy Mckee, of course, should go some way in improving India's image as a country capable of undertaking sophisticated projects on its own. This image would have been tarnished to no small extent, in the Third World at least, by entrusting the Daitari project to a foreign concern on a turn-key basis, even though the primary idea of doing so was to commission it expeditiously without straining the domestic capital resources. The growing tendencies among some of the Union economic ministries and State Governments to go in for turn-key contracts with foreign companies as an easy option in preference to tightening up of project execution indigenously needs to be curbed.

The Rabi Loss

THE HAVOC played by the unprecedented, unseasonal rains early this month has upset all calculations about the rabi output and wheat procurement. The wheat crop this year was anticipated to scale a new peak of over 37 million tonnes, as against the last year's output of 36.46 million tonnes, despite some damage caused in small pockets in North India by the April rains. This had evoked optimism that wheat procurement this year would go up to eight million tonnes from 6.59 million tonnes last year. Since rice procurement had been progressing satisfactorily and was expected to yield around 6.5 million tonnes, as against 5.57 million tonnes in 1980-81, and about a million tonnes wheat remained to be imported after January from the USA and Australia under the contracts signed last year, it was hoped that the buffer stock (after about five million tonnes releases for public distribution during the five months to June-end) would get augmented to around 16.5 million tonnes from 11.34 million tonnes on February 1. This would have been 1.5 million tonnes more than what is considered absolutely necessary to minimise the impact of weather fluctuations on foodgrain prices. The optimal stock level, of course, ought to be 20 million tonnes.

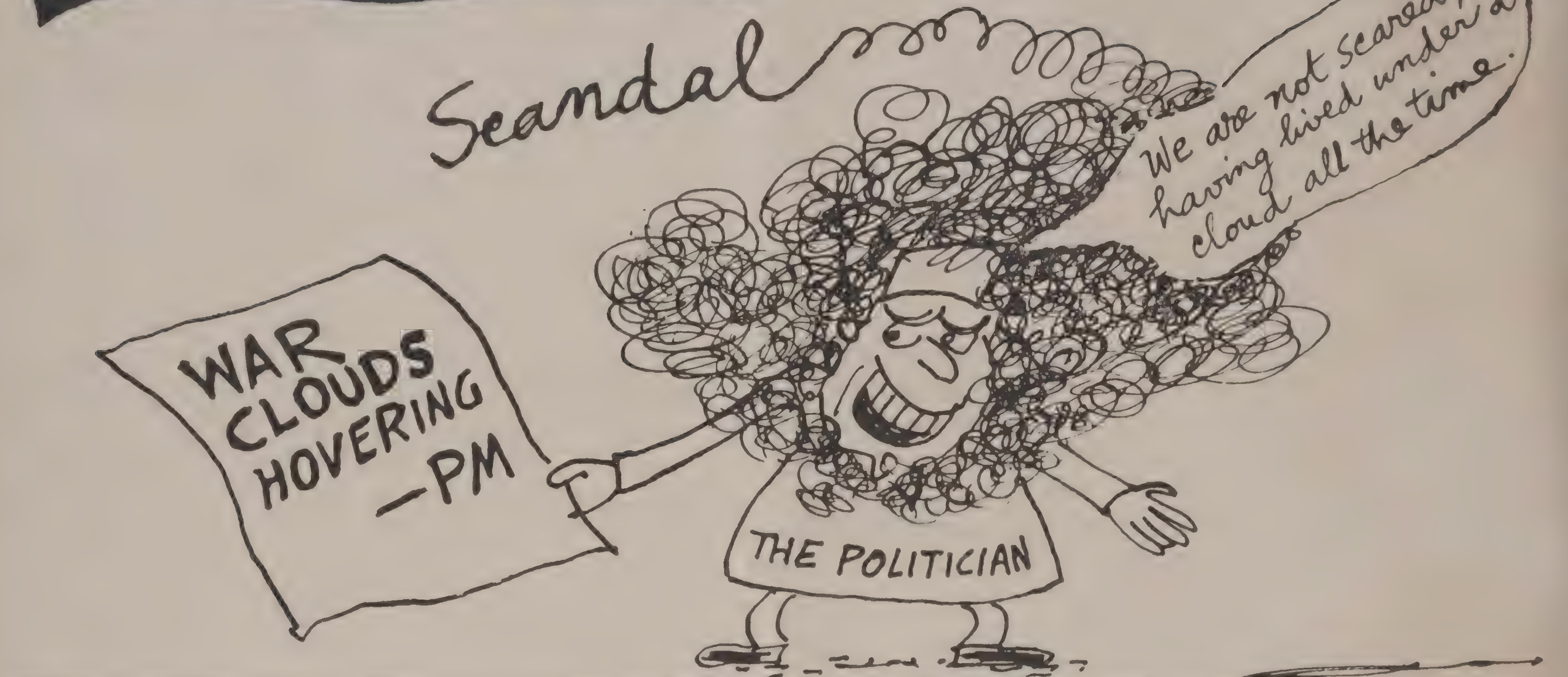
The above hope obviously will not materialise even though the final assessment of the loss to the rabi crop may turn out to be significantly less than the current unofficial estimate of 20/40 per cent crop having been lost. Damage invariably is exaggerated to bring concessions from the too-obliging Government. The bright sunshine in the recent days, indisputably, should help contain the loss, though the grains in part of the harvested crop yet to undergo threshing will be discoloured. This should not make much difference if such grains are released expeditiously after procurement for consumption. The reported directive to the procurement agencies o buy up all the wheat tendered, disregarding the moisture content, too may help in making the procurement figure a espectable one. But that apparently will not reflect the real procurement: it will have to be discounted by the excessive moisture content. Wheat procurement in real terms, thus, may not exceed six million tonnes.

The buffer stock in the beginning of July, therefore, will not get augmented to beyond 14.5 million tonnes. Normally, this would have necessitated only limited imports. But cool May can have serious implications for the ensuing monsoons. Although expeditious releases of short-term loans to the tune of Rs 100 crores have been announced to enable farmers to buy the required inputs for the kharif season, the prospects of the kharif crop will remain blurred till the behaviour of this year's monsoons is clear. This warrants that a close look is taken at the food economy quickly so that adequate imports can be ensured well in time. Wheat prices have already shown an uptrend in the open market. The significant step-up in the wheat procurement price this year will necessitate some increase in the issue price, if the burden of subsidy is to be contained. This can have ugly portents for price stability. Should the open market prices rise substantially, the pressure on the public distribution system will mount. A foodgrains stock of 14.5 million tonnes on July 1 will then prove too inadequate.

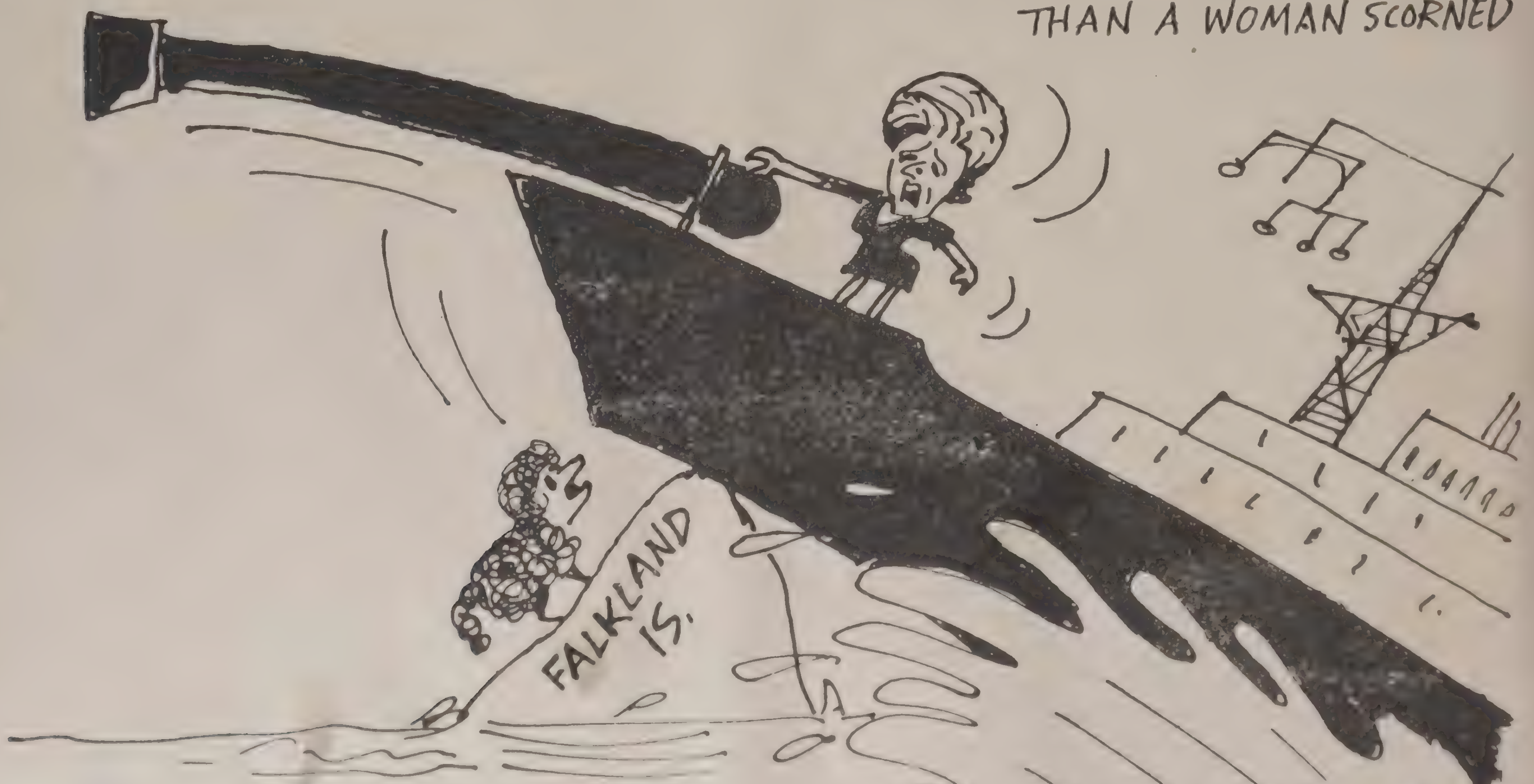
The Government also needs to bestow serious thought on post-harvest technology. Whereas the sowing technology has been mechanised to a large extent in the surplus wheat producing States, the updating of post-harvest technology has been at a very slow pace. The crop gathered through manual operations continues to lie in the fields for quite some time awaiting threshing. The exposure to vagaries of weather is unduly long. This period has to be shortened.

The May rains, however, can prove a blessing for the cultivation of short-duration varieties of kharif pulses, especially arhar. Agricultural scientists feel that the recent heavy rains have created ideal conditions for the planting of early maturing varieties of kharif pulses after the harvesting of wheat and other crops. If wheat and arhar rotation can be well propagated this year, Dr H.K. Jain, Director, Indian Agricultural Research Institute, expects that nearly one million hectares of land can be brought under arhar cultivation, yielding about 1.5 million tonnes of the crop.

THIS 'N THAT by Kevy


Scandal
We are not scared; having lived under a cloud all the time.
WAR CLOUDS HOVERING —PM
THE POLITICIAN

HELL KNOWS NO FURY THAN A WOMAN SCORNED


FALKLAND IS.

Learning to Live with Science and Technology—II

Jayant V. Narlikar

TECHNOLOGY FOLLOWS on the heels of science. Scientific research of today may be followed by technological applications tomorrow. Even the socalled basic research which does not aim at applications but is aimed at discovering the riddles of nature can have technological fall-out. Thus what type of technology we want tomorrow will be decided by what scientific research we encourage today. What types of research should be encouraged?

If this question is put to scientists alone we will not get a practical answer. Scientists will have a number of ambitious projects to suggest. If there were sufficient funds available all these projects could be encouraged. In reality, however, scientific research has become a big-budget affair. Even experiments in basic research such as the high energy accelerators used by particle physicists or the telescopes used by astronomers or some of the experiments set up by molecular biologists cost amounts running into several crores of repees.

In most countries the Government is the main supporter of scientific research. Private industry and trusts do contribute in various ways but their contribution is dwarfed by State funding. So what research should be encouraged is to be decided by the Government agencies funding the research. These agencies usually decide the issue by seeking advice from senior scientists in the field.

Peer-Judgement Process

This process of peer-judgement has not worked very well. One often hears complaints, especially from those scientists whose projects were turned down, that the handful of committeemen have not done their homework properly. Yet, it is difficult to think of any alternative to this procedure. The only improvement one can hope for is that the decision makers are informed properly about the various research projects and their future implications.

It is hard to make future forecasts about what research will turn out to be important. Even very experienced scientists err in judgement. Lord Rutherford, after successfully 'breaking the atom' felt that his research would have no practical consequences. However, within a decade or so after his death the atomic bomb became a reality. "Space travel is utter bilge," was the comment of Astronomer Royal, Sir Richard Wolley, when asked about future space ventures following the launch of the Sputnik in 1957. Within twelve years man landed on the moon. Who could have foreseen the present development of microcomputers in the years just after World War II ?

Swaminathan S. Aiyar is on tour abroad. He will resume his column 'Dry Thoughts' on his return after five weeks.

To educate the scientists on what goes on in science is difficult enough. Even more difficult is to educate the common man on what science is capable of. Yet this education is essential. For, it is the common man who elects the Government which makes the crucial decisions on which areas of science to support. It is the common taxpayer who ultimately forks out the crores and crores of rupees needed for research and development. And the responsibility for this education falls squarely on the shoulders of the scientists themselves.

It used to be argued that scientists working in their laboratories are busy people, that their time is too valuable to be wasted on the layman. This argument grows weaker day by day. This statement applies to basic research no less forcefully. Lack of proper information can be catastrophic not only for science but also for human society in general.

For example, in times of economic hardship basic research is liable to suffer most. Since this research does not yield any tangible dividends, at least immediately, it is tempting to economise by cutting back on the funds for such research projects. It is true that in items of hardship and economy drive, basic research projects should be critically reexamine and only those which come up to a ve high level of excellence should be suppo ted. An indiscriminate cutback on bas research is suicidal, however. For, th type of research encourages the scientifi approach to problems, which is so essen tial for human progress. I can do n better than quote the words of Dr Hom Bhabha on the occasion of the openin of the new buildings of the Tata Institut of Fundamental Research.

"...The support of such (fundamental research and of an institution where suc research can be carried out effectively i of the greatest importance to the societ for two reasons. First of all, and para doxically, it has immediate use in that i helps to train and develop in a manner i which no other discipline can, young me of the highest intellectual calibre in society into people who can think abou and analyse problems with a freshness o outlook and originality which is not generally found...."

Basic Research

There is also another aspect of the impact of basic research. If basic research is cut back, many of the ideas essential for applied research may have to be imported from other countries. There arises in this way a direct threat to our self-reliance.

Science can be popularised in several ways. Thanks to the gift of communications technology, we have several media available for this purpose : the radio, TV movies, video etc. The written word can go a long way especially in the mother tongue of the prospective reader. Popular science articles and even science fiction stories can create a mood for acceptance and for a critical value judgement of science. In the Western countries several eminent scientists and journalists have been engaged in science popularisation. Thus it is no longer below his dignity for the scientific expert to 'talk down' to the layman.

Perhaps the longest tradition of science popularisation is found in the Royal Institution of Great Britain. This tradition dates back to the days of Michael Faraday in the last century. Faraday, himself a great physicist always felt that his research work alone would not be worthwhile if he could not convey it to the layman. He writes in a vein of self-criticism:

> "As when on some secluded branch in forest far and wide sits perched an owl, full of self-conceit and self-created wisdom, explains, comments, condemns, ordains and orders things not understood, yet full of his importance still holds forth to stocks and stones around—so sits and scribbles Mike."

The tradition of Faraday's lectures and lecture demonstrations is carried on at the Royal Institution to this day by distinguished scientists, many of whom include Fellows of the Royal Society and Nobel Laureates.

Role of Journalist

I think I have made a case for popularisation of science by scientists. I believe journalists have also a vital role to play in disseminating information about the latest scientific developments to the readers of newspapers and magazines. Science journalism has attained maturity in the developed countries; it is practically non-existent in India where it is needed most. I am dismayed by the fact that columns and columns are devoted to astrological forecasts in our leading newspapers while hardly any news appears about the exciting discoveries in the various sciences. Even if some news item does appear about science, it is either supplied by foreign news agencies or, if it is indigenous, it contains serious technical errors. Why is science reporting so poor in India? Certainly there is no shortage of science graduates in our country, of people who could at least attempt the job of describing science news to the average reader. I am told that newspaper economics do not encourage the breed of science reporters! Since the average reader wants to read astrology he is given plenty of it.

It would be tempting to adapt a well known saying and argue that readers get the newspapers they deserve. That this is a fact of life we have to accept; but can we do nothing to change it?

The interest in astrology is part of a general syndrome which drives man to ignore his rational self and to ascribe a supernatural element to something he cannot understand and rationalise. There was indeed a time when planetary motion was ill-understood. Planets appeared to move in an irregular fashion against the background of stars and this led to the supposition that they move 'at will' and are therefore possessed of divine/supernatural power. From this supposition came the belief that planets control human destiny, a belief which forms the basis of astrology.

With the work of Kepler and Newton planetary motion became well understood. Planets do not move at will, but are subject to the laws of gravity and dynamics. Today's man-made space craft like the Viking, the Mariner and the Voyager can achieve rendezvous with the planets with high accuracy. So there is no more mystery about why and how the planets move. Even on an empirical basis, the astrological claims of relationships between planets and human beings have been scientifically examined by several researchers with *no* evidence emerging to validate those claims.

As I mentioned before, anything uncanny at first appears to have something supernatural about it. However, a scientific study reveals that the system in question is after all behaving according to the known laws of science. A piece of paper changes colour from red to blue and vice verse if it is dipped in certain fluids. Why? The mystery disappears when we know that the paper in question is litmus paper and the fluids are bases and acids. A magician produces a rabbit out of a hat. Has he violated the law of conservation of matter? No! He can be persuaded to reveal the sleight of hand in his 'trick'. Controlled experiments revealed that there was nothing exceptional about the spoon-bending performances of Yuri Geller. Even the sensational claims about the 'mysteries' of the Bermuda Triangle have been blown apart by scientific investigations.

Nevertheless as long as man wants to believe that anything uncanny is supernatural or divine, there will be unscrupulous persons to take advantage of that attitude. The attitude will go away only through continued exposure to science and the scientific method. The illusory miracles of the socalled holy men will not cease to be effective until man appreciates the concrete miracles of science and technology.

By way of conclusion, I can do no better than refer you to the tale of Alladin and the Magic Lamp, from the Arabian Nights. To us, the Alladin of the twentieth century, science is the magic lamp and technology the genie at its command. Are we mature enough to use the lamp? Not yet! If we make conscious efforts to undersrand the significance of the lamp and what its genie is capable of, we would be able to employ it for our betterment.

As Jawaharlal Nehru put it in the context of India: "Science alone can solve the problem of hunger and poverty, of insanitation and illiteracy, of superstition and deadening custom and tradition, of vast resources running to waste, of a rich country inhabited by starving people..."

If, on the other hand, we do not bother to understand science and technology, and use them indiscriminately, they have it in their power to destroy us.

What course are we going to take?

(*Concluded*)

NOTICE

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Lessons of Bombay Textile Strike

In his presidential address at the annual general meeting of the Employers' Federation of India, Mr Naval Tata made a pointed reference to the Bombay textile strike which started on January 19. It has already lasted long enough to go on record as the longest in the history of Bombay's textile industry. Apart from the loss running into several crores in production, the loss to workers by way of wages has also been heavy. The sixty mills affected have besides suffered huge losses by payment of standing charges and interest and some of them, it is stated, will not be able to reopen when workers decide to resume work.

Mr Tata drew attention to certain unusual features of the strike to draw some appropriate lessons:

The strike was called by an unrecognised union when there was an agreement between labour and management valid upto 1984.

Ambitious Charter

The particular trade union leader did not follow the prescribed procedure of seeking recognition before launching direct action in the form of an illegal strike. The workers in responding to his call, swayed by an ambitious charter of demands, were risking their job security. By not reporting for duty for over three months the employer can claim the right to terminate their services. (A number of employers seemed to have already approached Mr Tata to have their right of terminating the services of the workers tested in a court.)

No specific charter of demands was put up in writing and the demands were changed from time to time through speeches and press statements.

The recognised union (RMMS) was overwhelmed by the response which the rival union received from the workers, thereby raising doubts regarding the representative character of the recognised union as reflected in the process of verification.

With our existing labour laws the authorities are completely helpless in taking any action against such irresponsible form of trade union activity.

Mr Tata in this context made one significant point. He conceded that the non-INTUC trade unions had reason to be unhappy over the method of verification prescribed under the Bombay Industrial Relations Act. Obviously some other acceptable alternative had to be found. To this extent he even expressed his sympathy for the complaint of the non-INTUC trade unions. In this context he felt that Dr Datta Samant could have adopted a constructive approach instead of resorting to an illegal strike by proving that his union was more representative even though the procedure would have been cumbersome. Mr Tata, however, made it clear that the mode of recognition of representative trade unions should be by secret ballot. As a result of the secret ballot the will of the workers as to who should represent them would be fully reflected.

T.T. Vijayaraghavan writes from Bombay

Mr Tata also made a reference to the bonus legislation and pointed out how we have failed to make it productivity-oriented. If the Government, he said, was really sincere in making the nation productivity-conscious, then even at this late stage, the concept of bonus should be suitably revised to make it a reward for higher productivity instead of forcing even loss-making units pay a minimum bonus. In this connection he pointed out how years ago, he had suggested that while collecting excise levy on production computerised statistics could be maintained on units of actual production against estimated units of production based on installed capacity of each industry. Wherever such statistics confirmed bigger production through higher productivity a productivity bonus at least in major industries could be given to the worker from the excise revenue earned by Government. This proposal would substantially reduce industrial disputes between management and labour as the bonus would be handed out by Government out of additional revenue of excise collected at slightly higher rate if necessary. Mr Tata however pointed out that if this was not found practicable, Government should consider some other alternative. But the point is productivity should become an important element in the wage structure. This has become very relevant since the current year has been declared as the year of productivity.

Iron Ore for Japan

The iron ore supply agreement signed by the Minerals and Metals Trading Corporation (MMTC) with Japan for the current financial year is a substantial improvement over the last year's deal. Even though the Japanese steel industry continues to be affected by the global recession, Japan has agreed to import 7.3 million tonnes iron ore from the MMTC, as it did last year, but at a 16 per cent increase in prices. Last year the price increase agreed to was just 10 per cent.

The step-up in the price agreed to with the MMTC is significantly higher in comparison with the price again agreed to by Japan with Brazil, Canada, South Africa and Chile. It is, however, one percentage point lower than the increase effected in the case of supplies from Australia. The revised price for the MMTC iron ore also compares favourably with the Japanese purchases from private exporters from Goa.

MMTC will be supplying to Japan 5.7 million tonnes of iron ore from the Baladilla mines and the remainder 1.6 million tonnes from other sources, including Domimalai.

The finalisation of a 10-year agreement for the shipment of iron ore by the MMTC to the Japan Steel Mills through the Madras outer harbour, however, has been delayed. The arrangement for exports through Madras was linked with the deepening of the Madras outer harbour so as to accommodate 100,000 DWT category vessels. A fresh assessment is to be made of the benefits accruing to India through the deepening of this harbour. The negotiations on the proposed agreement are envisaged to be resumed after this assessment.

Sulphur Removal from Assam Coal

A BREAKTHROUGH is claimed to have been achieved in the removal of organic sulphur from Assam coal. Three researchers from the Bose Institute, Calcutta, the Central Fuel Research Institute, Dhanbad, and the Indian School of Mines, Dhanbad, who had been entrusted by the Central Mine Planning and Design Institute, Ranchi, with the task of conducting a preliminary survey of the potentiality of de-sulphurisation of Assam coal, have succeeded in removing organic sulphur from coal by bacterial means, opening up new vistas for commercial utilisation of highly sulphurous coal.

Sulphurous coal contains pyrite, sulphate and organic sulphur. While methods for extracting the first two types of sulphur had already been found —in fact, pyrite ores are being used for the manufacture of elemental sulphur at Sindri—there was no known method for removing organic sulphur. Possibilities of removing this type of sulphur by treating coal samples from Assam with a mixed bacterial culture have yielded good results.

Coal samples from Meghalaya, Nagaland, Assam and Arunachal Pradesh were studied for experimental purposes. They were found to contain 62 per cent sulphur in organic form. During experiments on the samples from the Baragoloi colliery in Assam, 45 per cent of the total sulphur content was removed. Originally, the sample had sulphur content to the extent of 3.5 per cent. After bacterial treatment, this content was reduced to 1.83 per cent, which is considered the tolerance limit for the utilisation of this coal.

Intensive pilot studies have been recommended by researchers to remove sulphur from the 60 feet coal seam of the Baragoloi colliery for the exploitation of which Coal India Limited has an ambitious programme.

Significantly enough, it has been observed that bacteria treatment results in improvement in the quality of coal. After this treatment, the ash content is claimed to have been reduced by about 50 per cent. There was also a marginal decrease in the volatile content.

The leached coal, it is felt, will not only be fit for use for thermal power generation but also can be utilised for metallurgical purposes when blended with coking coal. Sulphurous coal as such is highly pollutant and corrosive.

The Truth About Recession

R J. Venkateswaran writes from Calcutta

INDIA'S ENGINEERING industry has been lately complaining about the intensification of recessionary conditions. The Association of Indian Engineering Industry has released statistics which indicate a declining trend in the production of many sections of the industry. It has revealed that between April, 1981, and January, 1982, there was a fall in the output of electrical and other types of industrial machinery, forged hand tools, power driven pumps, transport equipment, and several other items, as compared to th similar period of the preceding year. Th Association is reported to have represented to the Finance Ministry, the Reserve Bank and the other authorities about the implications of recession and the imperative need to liberalise the credit policy further and adopt other appropriate measures so that the engineering industry can make better use of its capacity and play its role effectively in the country's economy.

But what really is the truth about the nature of the recession ? Is it so widespread as to justify the headline in the *Economic Times* of May 6, which said that "recession plagues engineering industry" ? The report remarked that "a section of the engineering industry has been operating at 100 per cent or more of its installed capacity, but the industry, on the whole, in the country is yet not out of the mood of an induced recession." It is essential to know which sections are facing the impact of recession and to what extent it has been due to the fall in demand and other causes.

The road transport industry is said to have been severely affected by recession caused by the credit squeeze. But the speech of the Chairman of Ashok Leyland Ltd, Mr R.J. Shahaney, at its annual general meeting on April 29, this year, showed that the effect of the recession on this industry was not as severe as it was feared. He said that while there had been "a visible slackening in the off-take of vehicles," there has been "no perceptible fall in demand." It is also significant that the sale of the company at Rs 209 crores in 1981 recorded an increase of 28 per cent over 1980. The total production of vehicles in 1981 was 15,031 an increase of 17 per cent over the previous year—while the profit after tax was higher by 19 per cent and amounted to Rs 1505 lakhs. It is also worth noting that during 1981 Ashok Leyland invested nearly Rs 33 crores in creating additional facilities in order to raise the production to 40,000 vehicles by 1987. This programme involves an investment of Rs 270 crores. Do these data indicate signs of recession? Nevertheless, the Government of India should review its credit and other policies and see to it that industrial units, whether in the engineering or in other areas, get the necessary funds and facilities to increase production and implement schemes of expansion and modernisation.

To what extent has recession affected the public sector? Data on this aspect are not readily available. But some of the important units in this sector have also been severely hurt by this trend. For example, Bharat Aluminium Company Ltd (BALCO) held at the end of December, 1981, unsold finished products at Korba of 8870 tonnes, valued at about Rs 16 crores. Its normal inventory holding is only of the order of 300 to 400 tonnes of finished products. The Government of India had to advance to BALCO a non-plan loan of Rs 21 crores to enable it to meet its working capital requirements and cover its cash losses.

The total Plan outlay of the Centre, the States and the Union Terriotories for 1982-83 is estimated at Rs 21,137 crores, an increase of 21 per cent over Rs 17,479 crores in 1981-82. With such a high level of expenditure, it seems surprising that several industries, especially in the engineering field, should complain about the lack of damand for their products. Both the Centre and the State Governments should utilise the Plan funds in the most productive manner so as to impart greater buoyancy to economic development.

Plea for Pragmatism

IN HIS presidential speech at the annual general meeting of the Indian Chamber of Commerce, Calcutta, held on May 11, Mr P.K. Kanoria expressed appreciation of the increasing pragmatism in the Government's economic policies. He referred to the private sector's "excellent record of performance" and pointed out that the Indian economy could grow at a much faster rate by laying less stress on ideology and more on productivity. He welcomed the decision to observe 1982 as the productivity year, but suggested that this move "should not end up merely in slogans but should lead to some rethinking on the part of the trade unions and employers to create a permanent machinery to link wages to productivity". The constitution of such a machinery will take time. Meanwhile, labour and management have to play a more constructive role in avoiding confrontation and settling disputes promptly.

The Government of West Bengal has claimed that its policies have helped to increase the bargaining power of organised labour and that this is reflected in the improvement of average real annual earnings of workers, drawing less than Rs 1,000 per month, from Rs 1,933 in 1976 to Rs 2,072 in 1980 and in the reduction in the number of lay-off cases from 418 in 1976 to 60 in 1981. But the fact remains that West Bengal's record in industrial growth continues to be unsatisfactory as compared with several other States. According to Mr Kanoria, many units are saddled with excess labour which has affected their viability. This trend is seen not only in the industries in the private sector but to a greater extent in the public sector.

Power Gap

Dealing with power shortage, Mr Kanoria said that there would be a gap of 1,400 MW by the end of 1990 even with the establishment of 900 MW additional capacity in the remaining three years of the Sixth Plan. But he felt that the achievement of this target had become "extremely doubtful". He deplored the slow progress in completing the new power projects and the low level of generation in the existing plants. He did well in highlighting the fact that "it is extremely unwise that resources should be frittered away in installing captive power generation with extremely high cost of power and wastage of national resources and precious foreign exchange". Hitherto, spokesmen of the private sector had been demanding various incentives and concessions to set up captive generating sets. Now they have realised that this procedure will not provide an effective solution to the power crisis. The immediate objective should be to maximise generation from the present capacity, to implement expeditiously the new power schemes, and to draw up plans for the future on a realistic basis.

The Chamber's President said that shortage of credit continued to be a major impediment in creating additional capacity and in running the existing industries. He referred to a recent estimate, according to which, while the additional credit requirements of the private sector medium and large scale industries and wholesale trade were about Rs 1300 crores in 1981-82 the total availability was around 1/3 of this figure. The credit policy therefore needs to be reviewed carefully and the needs of industry and trade should be fully met, of course, after taking care to see that the money is used for productive purposes.

Rural Development

It is encouraging to find that the business community is playing an active part in developing the rural areas. The Indian Chamber's project in the Sunderbans is helping to improve agricultural crops. The Chamber has also prepared a scheme for raising the people's income by adopting scientific cattle breeding and poultry farming and by developing fisheries. Businessmen should also take greater interest in the betterment of urban conditions. The World Bank is providing financial and technical assistance to the CMDA to improve the civic amenities. But are the business organisations maintaining close liaison with the World Bank in evolving and implementing the various schemes? The development of satellite towns will take time. Meanwhile, much can be done to provide some relief to the citizens if the Government and the business community closely and effectively cooperate with each other. The chaos in traffic in Calcutta has become intolerable. Apart from the removal of slow moving vehicles from certain areas, there is hardly any other scheme to find a short-term solution to this acute problem. The business community should give some serious thought to this matter and examine in what manner it can contribute to improve the traffic situation.

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When Progressive Taxation is Immoral, Protectionism Becomes a Virtue—That Reagan Hairline

V. Balasubramanian

LONG BEFORE George Orwell foresaw Newspeak as the official language of the eighties and beyond, the ruling class in all communities had become accomplished in the art of manipulating words to torture thought. Chief White House Counsellor Edwin Meese recently gave an impressive display of this skill. Appearing on TV, he blandly said that progressive taxation was immoral since it punished success by taxing larger income at higher rates. This reasoning has enticing possibilities. It would not be moral either, it could seem, not to reward success by taxing larger incomes at lower rates. That it would be downright immoral to reward failure by taxing smaller incomes at lower rates should of course be obvious.

Dynastic Sequence

Meese glories in the full name of Edwin Meese III. His sense of dynastic sequence, evidently, is strong. Unlike Indira Gandhi, who can make the point simply by saying "We, the Nehrus", he is not in a position to impress even the neighbourhood grocer by declaiming "We, the Meeses". Hence, one supposes, the finishing touch of the numeral. With or without the numeral, however, Meese is an important person in public affairs, although his importance in the Reagan hierarchy is said to be not what it was in the early months of the presidency. Chief of Staff James Baker, they say, is the man everybody is watching. All the same, Meese is still a very considerable figure in the inner circle and this not merely because of his well-fed appearance. His instinct for what goes down with the conservative constituency in American politics, which is Reagan's political base, is said to be perfect. So perfect, presumably, that he is lost to the sensibilities of other constituencies that also exist in the mosaic of national politics. Otherwise he would not have made that pronouncement about the ethics of progressive taxation at a time when even Reagan has realised that he has to fight off a widespread perception in the country of his administration as a regime for the rich and uncaring of the poor. Indeed, such is the awakened sensitivity of the White House to this issue that, a few days back, the President accompanied by his wife, called on a Black family, whose moving into a White community in a nearby Virginia suburb and buying a home there were resented by racist neighbours who burnt a cross on their front lawn. There was also his half-hour phone call to a young woman, stricken with cancer, for whom her father had solicited a word of cheer from the President of the United States.

Small Talk from Washington

It is not clear, however, that talented public relations, or even Christian charity will still the tide of disquiet swelling across the country as unemployment spreads, biting particularly savagely into the meagre subsistence of the poor or the underprivileged. Unemployment soared to 9.4 per cent last month, meaning that the proportion of the jobless to the total work-force is now at its highest since the Great Depression. Within this grey area is the dark pit of Black unemployment at a rate about double the national average, leaving four in five Black teenagers looking for work that simply is not there any more. It is just possible of course that the upturn which administration economists are asking people to expect early in the second half of this year may oblige, if not before September, at least not much later than that. But few really expect anything like a robust recovery to take over soon the greening of the American economy which Reagan rhetoric has promised the nation as a certain result within the life-time of this presidency.

Kaufman Forecast

On the contrary, politically neutral economic forecasters, such as Henry Kaufman, Chief Economist of Solomon Brothers, revered by friend and foe alike as "the interest-rate Ayatollah", because Wall Street listens when he talks about monetary trends, are warning the President and Congress that the already "fragile" economy will become increasingly vulnerable should the lack of coordination of fiscal and monetary policies continue. Kaufman has just said that the decline in productivity of American industry, the deterioration in the liquidity of business institutions and the weakened finances of the thrift institutions have produced a near-crisis situation in which a return to last year's peak of longer-term interest rates, which he views as a possibility for the last quarter of this year and beyond, would leave very little margin of error for the steering of budget strategies. Refusing to take comfort from identifying the decline in the rate of inflation as an indicator of the basic strengthening of the economy, Kaufman argues that more relevant to the economic outlook are the prospects of the investment boom, assumed in administration arguments, proving still-born as deficit-induced Treasury borrowing keeps interest rates high and crowds out borrowers of industrial capital.

From just across the frontier to the north comes equally strongly expressed worries about the lack of coordination in US economic policies. In Canada, where the unemployment rate, peaking, post-war, at 9.6 per cent in April, is two decimal points higher than in the US, there are angry noises about what the Reagan administration is viewed as doing to exchange rates and interest rates in other industrial economies. Finance Minister Allan MacEachen, not mincing words, has demanded a change in US monetary policy as "the key to world recovery at the present time, for the US and for other countries." With so much to defend so close to home, Secretary of the Treasury, Donald Regan, flanked by Secretary of Commerce, Malcolm Balridge and Chief US Trade Representative, James Brock, has had to set out for distant shores to convert hostile West Europeans to faith in Reaganomics.

Familiar Argument

By the time these lines appears in print the results of the American pleadings at the OECD session in Paris and the meetings of the Interim Committee of the IMF and the Fund-Bank Development Committee at Helsinki will have been known and discussed. At the time of writing there is no reason to believe that Reagan and Company will have much success in persuading West Germany or France that Reagan economic policies are not only good for the US, but are also good, or even better than good, for other industrial countries. The familiar American argument is that, by getting the rate of inflation down, US economic policies are already contributing towards stable growth in the global economy and that, instead of concentrating their concern on the short-turm discomforts, which are the by-products of this process, other industrial economies should persevere with their own anti-inflation exercises, while coordinating their strategies with those of the United States.

Some days ago, previewing the agenda for the conferences in Europe, Beryl Sprinkel, Under Secretary of the Treasury for Monetary Affairs, told correspondents of the foreign press here that the main purpose of the US delegation would be to persuade the other OECD members to agree to the setting up of a small panel which would engage itself in continuous consultations on the coordination of economic policies particularly among the United States, West Germany, France, the United Kingdom and Japan. Whether the US belief is that the proposed mechanism would at least serve to restrict others' criticism of American economic policies to the decorous precincts of this limited forum, if not defuse the attacks altogether, or whether the Reaganites really hope to make converts of the West Germans, the French and the Japanese to their own economic philosophy of a smaller role for Government expenditure in influencing economic and social trends and a larger role for monetary policy in bringing about stable growth, the timing may not be right for the American bid for a more assertive role in charting a course for international economic cooperation.

Indonesian Exchange Rate Policy

Indonesia's Central Bank is considering a change in the way in which the rupiah is valued against other currencies. Currently, the rupiah is effectively pegged against the US dollar. And from November, 1978 (when the rupiah was devalued by more than 33 per cent from 415 to 625 against the dollar) until last fall, the rupiah/dollar rate remained essentially fixed. Over the past six months, however, out of concern for Indonesia's deteriorating trade balance, central bank authorities have been allowing small but frequent slippages. In effect, the bank now sets exchange rates daily. From December 1, through the end of April, the rupiah declined 2.8 per cent to a level of 652 per dollar. The proposed change in exchange-rate policy would revive the idea of a basket-currency valuation, with major weight given to the DM and the yen as well as the dollar, and would allow some floating, subject to Government intervention. This would give the Government greater flexibility, in that if other currencies in the basket weakened relative to the dollar, the rupiah would also be allowed to similarly depreciate.

Even as Treasury Secretary Regan and the other two members of the cabinet were departing for Europe with their message of peaceful co-existence in the area of economic relations, the President of the United States was committing a gross act of mercantilism. On top of heavy import duties and fees, he set quotas for foreign sugar in order to provide price support to domestic producers at a level more than double that of the curren international price. Thanks to a glut ir world supplies this year, sugar is selling in international trading at prices arounc nine cents a pound. Add to this duties and fees of 6.8 cents per pound and alsc the cost of shipping and insurance, th resultant 18 cents per pound would se the domestic price for sugar. Producers in the US argue that they could stay ir the business only if the domestic price i higher by some more cents and that, i this margin is not made available to them they would be forced to take advantage of the official price support scheme tc borrow from the Government 17 cents a pound and then forfeit the sugar to it.

The Reagan administration wants tc avoid the additional red ink that would trickle into the federal budget should i be forced to play sugar daddy to the home industry. Since it has already exhausted its legislative authority to raise duties and fees on imported sugar, it is now resorting to the device of a physical limitation of the volume of imports for raising the price of domestic sugar beyond 20 cents per pound and making it profitable for the domestic producers to sell in the market, rather than deliver their stocks into Government ownership. In the absence of quotas, price support would have cost the federal budget around $800 million. Because of the quotas, consumers wil have to pay about double that amount additionally for their sugar besides another large sum on account of increases in prices of soft drinks and other products containing sugar.

The Government has come under a barrage of criticism for abandoning its vaunted loyalty to an open trading system and the free play of competition within and across national boundaries. It has been accused of betraying the interests of consumers for the sake of keeping alive a sector of farming which is basically uncompetitive and which the US economy can well do without. It has also been charged with violating the right of sugar-exporting countries, dependent on earnings from exports of this commodity, to reasonable access to the US market. Above all, it has been scorned and condemned by American critics of its decision on the ground that the sugar price support scheme, which was to have expired in 1980, was being continued because of a shabby deal the White House had struck last year with Congressmen from the sugar-producing States for their support for the 1982 budget.

Quota System

Under the quota system now adopted, sugar imports will not be allowed to exceed 220,000 short tons (a short ton is 2,240 lbs.) between May 11 and June 30, while total sugar imports for any fiscal year will not be allowed to exceed 6.9 million short tons. India this year has a bumper sugar crop and it may have a surplus for export. But, because of its sales commitments under the International Sugar Agreement, the US market is not of much practical interest to it. Nevertheless the American import quotas may hit it indirectly by helping to depress world prices further in this period of glut. More directly affected will be countries exporting substantially to the US. Included in this list are the Philippines, Brazil, Australia and Mauritius. Guatemala will also be affected but the presidential order fixing quotas promises special treatment for exporters in the Caribbean. Except Cuba naturally. Again, if Mauritius were to feel the pinch of US import cuts, there will be a comforting political angle to this too, since Mauritius is not over-enthusiastic about US plans for Deigo Garcia.

Nevertheless, too much politics need not be read ito the US decision, since its economics nare disgraceful enough. For a Government preaching the magic of the market place as the panacea for the world's ills, the Reagan administration has mocked itself by practising protectionism in an extremely blatant manner. Thereby it has hurt its own advocacy of the need for the European Economic Community dismantling its agricultural subsidies, or Japan throwing open its market for imports of US beef and citrus fruit. In other words, its pretensions to lead the world in the coordination of national economic polices must suffer in credibility.

Tailpiece : Septuagenerian Ronald Reagan's straight line of hair above his forehead has been intriguing gerontologists. According to Dr Norman Orentreich, the inventor of the hair transplant, "It's a hairline you normally see only on a child or a eunuch". The President is not wearing a hairpiece; and is not in evidence that he has been castrated. His detractors, however, do imply more than occasionally that he is in his second childhood. Perhaps there is a perfectly legitimate biological explanation for the unusual state of the presidential scalp. The loss of hair around the temples, which is typical of man's estate, is the effect of a hormone, called androgen, produced in the testicles after puberty. The functioning of the glandular or other mechanisms of the aging process are however known to vary enormously among individuals, the only absolute rule about this process being that, as John Tierney, writing in *Esquire* puts it, "it eventually stops", meaning that all mortals are just that.

Cataloguing the various symptoms of decay of the aging body, Tierney notes that the aging heart tiring steadily pumps less blood with each beat. Thus, at age 30, the heart beating 20 times, pumps 3.6 quarts per minute and at age 70, it beats 150 times per minute, pumping 2.6 querts. Heart disease is the most common cause of death in persons over 40 years of age and is responsible for more than half the deaths at ages beyond sixty. As for the kidney, at 70, a person's kidney can filter waste out of blood only half as fast as at age 30, while the bladder's capacity declines from two cupfuls to one cupful. Now for the interesting part—in more senses than one. As the sex drive declines with age, perhaps because of lower levels of sex hormones and possibly in part because of psychological changes and the general loss of vitality in the body, the testes sag, the penis takes longer to become erect, longer to reach orgasm (while the orgasm itself gets to be shorter) and longer to recover. To recount this in greater detail, here are the statistics :

Angle of erection : Age 20—10 per cent above horizontal; age 30—20 per cent; age 40—slightly above horizontal; age 50—slightly below horizonal; age 70—25 per cent below horizontal.

Frequency of awakening with erection: Age 20—six mornings per month; age 30—seven mornings; age 50—five mornings; age 70—two mornings.

Frequency of orgasms : Age 20—104 per year (49 solo); age 30—121 (10 solo); age 40—84 (eight solo): age 50—52 (two solo); age 60—35 (four solo); age 70—22 (eight solo).

It must be emphasised of course that the figures given for the various symptoms of decay of the body are illustrative of average ravages, most of which hit all of us sooner or later, although some of us do escape some of them; Methusalahs are known, for instance, to sustain a rigorous presence indefinitely in the human reproduction business.

Indexed Bonds in the US ?

After receiving some attention in other countries, indexed bonds may soon be finding their way into US markets. A bill has been introduced in Congress that would authorise the Treasury to issue 20-year bonds that would pay a fixed interest rate on a principal indexed to the GNP price deflator. If successful, the instrument could be used by private corporations as well.

The current interest in indexed bonds stems from the poor performance of the bond markets during a period of dramatically decelerating inflation. Because of stubbornly high nominal long-term interest rates, corporations have been reluctant to borrow funds that would commit them to large interest costs over a long period of time. Moreover, owing to concerns over the impact of burgeoning debt-service costs on the federal eficit, Congress recently failed to extend the Treasury's exemption from the 4½ per cent coupon ceiling on 30-year bonds. As a result, the Treasury's May 15 refunding will not include a long-term bond issue.

Index-Linked Funds for Danish Industry

Denmark has a new ploy to boost the flow of savings to industry, farming and housing. Instead of its earlier plan to tax pension and insurance fund investments in Government securities, making private-sector investments relatively, more attractive, it has told the country's mortgage institutions that they may issue index-linked bonds and use the proceeds for industrial, agricultural and residential investments. The bonds will offer only 2.5 per cent a year, but the principal will be raised twice a year in line with the cost-of living. Maturity will depend on whether the funds are used for office or factory construction (20 years), farming (25 years) or housing (35 years). Foreigners as well as local investors are eligible to subscribe.

—Business Europe

Proponents of the indexing idea contend that indexed bonds would allow the Treasury to issue low-coupon long-term bonds and reduce its sizable debt-servicing costs and the resulting budget deficit, especially if inflation continued to fall. In addition, they argue, by reducing the level of interest rates, indexed bonds could enable corporations to tap long-term debt sources and lengthen the dangerously short maturity structure of their current debt obligations.

Common Characteristics

Indexed bonds have some characteristics in common with some of the already-existing debt-instrument innovations implemented in recent years by corporations. Similar to floating-rate bonds, the actual magnitude of the interest costs over the life of the bond would not be known at the time of issue. However, unlike those instruments, the size of the principal would also be unknown. Furthermore, like deep-discount issues, such as zero-coupon bonds, debt-service costs would be small relative to the final return of principal, although indexed bonds would not lock the issuer into the high interest rates that the deeply discounted instruments entail.

An example may clarify the impact of indexed bonds on interest rates: If investors expect 10 per cent inflation annually over the life of a bond and require a 3 per cent real return for the use of their money, conventional bonds would need to yield 13.3 per cent—10 per cent to ensure the purchasing power of their principal, 3 per cent real return, and 0.3 per cent to restore inflation's erosion of their real return (10 per cent of 3 per cent). With indexed bonds, however, the yearly interest rate would be set at 3 per cent, if inflation over the year turned out to be 10 per cent the principal would also increase by 10 per cent, and the 3 per cent interest rate would be applied to the higher principal.

This would yield the same interest payment as the conventional bond. The difference would be that the indexed bonds would eliminate inflation risk to investors. (If inflation exceeds 10 per cent, investors in conventional bonds receive a real return less than 3 per cent). Consequently, these instruments should attract investors into the long-term market. Moreover, from the issues' point of view, should inflation turn out to be less than 10 per cont they will not be committed to high interest rates. This removal of the need to forecast inflation from both sides of the market is, in general, likely to result in lower nominal interest charges to the extent that current interest rates on conventional bonds carry an inflation risk or volatility premium.

There are, however, disadvantages to indexed bonds, as well. First, if inflation does accelerate again, issuers could face a massive refinancing problem when the principal comes due. In particular, if a firm's product prices and nominal cash flow do not keep pace with the inflation index, it could face a future financial crisis if it issues indexed bonds now. Of course, this possible outcome needs to be weighed against the current, certain alternative of high interest costs and a heavy burden o short-term debt.

Second, the tax treatment of indexed bonds has not yet been clarified by the Internal Revenue Service. In the case of zero-coupon bonds, it ruled last year that the annual increase in the value of the underlying bond is considered as a capital gain, despite the fact that the instrument generates no cash flow to the investor. Already there are some indications that the incremental increases in principal generated by indexed bonds might be regarded as dividend payments and taxed as ordinary income. The bill authorising the Treasury's issue, however, has stipulated that indexed increments of principal be defined as non-taxable preservation of capital. A favourable resolution of this issue is crucial to the encouragement of demand for the instrument.

The final reservation about indexed bonds often voiced by critics is that they represent a surrender to inflation. Citing the use of such indexed contracts as labour agreements in many Latin American countries that have been unable to control their inflation rates, the opponents argue that indexed bonds present a mechanism for living with inflation rather than reducing it. However, since the Treasury would issue the first indexed bonds, the effect might well be just the reverse. By exposing itself to a potentially large liability if inflation is not controlled, the Government expresses confidence that future inflation rates will recede. In fact, indexed bonds will provide the Government with an incentive to actively pursue non-inflationary policies.

Point of View

Trends in Jute Cultivation in India

Shanti Sarup & S. C. Rai

Jute is an important export-oriented commercial crop and plays a vital role in the development process of the economy. Jute production in the country, however, has not been able to keep pace with the requirements of its manufacturing industry. The authors believe that the present yield could be doubled by removing various constraints and by helping the farmers to adopt the recommended package programmes.

JUTE IS an important fibre, often referred to as the golden fibre of commerce. Its cultivation in India is wholly confined to the eastern part of the country, comprising West Bengal, Bihar, Assam, Orissa, Uttar Pradesh and Tripura, the the first three States accounting for roughly 90 per cent of total area and production. Jute crop is the principal raw material used by jute goods manufacturers for production of various types of commodity goods for packaging, floor covering and other minor uses. The crop occupies an important place in the Indian economy as the development of jute industry in the country has great potential for earning foreign exchange in addition to its being a source of revenue to the Government. There are about 74 jute mills with 44,600 looms employing about 2.6 lakh workers in the country. The cultivation of jute provides assistance to nearly four million farmers who have mostly small and marginal holdings.

But it has been observed that the total jute output in the country has not kept pace with the increased requirement of the jute industry resulting in limited exporable surpluses and thereby contributing to India's declining share of world exports of jute manufacturers. Thus, there is an urgent seed to boost the production and also to improve the quality of this commercial crop not only to meet the growing domestic demand but also to reduce imports and the consequent drain on scarce foreign exchange.

Realising the low productivity of this crop in India, an intensive district package programme for jute cultivation was initiated in the selected districts of West Bengal, Orissa, Bihar and Assam during the Fourth Five-Year Plan. This article attempts to examine the trends and variability in area, production and productivity of this crop in different States of the country during the period 1967-68 to 1978-79 and also envisages to study the factors hindering the development of this crop.

The study covers all the important jute-growing States during the period 1967-68 to 1978-79. The relevant statistics of area, production and productivity were obtained from the various publications of the Directorate of Economics and Statistics, Ministry of Agriculture. The growth rates for each State as well as for all-India were calculated by fitting of the exponential function of the form $Y=A.B^t$. Variability in acreage, production and productivity was also estimated by computing the variability coefficients using the following expression :

Coefficient of Variation (C.V.)

$$= \frac{\text{Standard deviation}}{\text{Mean}} \times 100$$

To study the behaviour of fluctuations in area, productivity and production of the crop, the number of peak and trough points were also estimated and are presented in Table III. Again to study the impact of developmental efforts during this period in increasing the production of this crop, the analysis of variance technique was utilised. The results are discussed in the succeeding sections.

Comparing the changes in area, production and productivity of the crop in 1978-79 over 1967-68, it is observed that area under jute has registered only an increase of 0.9 per cent at all-India level during the period of 12 years. The increase in production and yield rate is about 2 per cent and 1.2 per cent respectively.

To study the pattern of overall development in cultivation of jute, it will be interesting to srudy the growth rates of area, production and productivity of this crop in different States of the country. Table I gives the growth rate of

TABLE I

Compound Growth is Jute Cultivation

(1967-68 to 1978-79)

State	Annual Growth rate (%)		
	Area	Production	Yield rate
Assam	—2.22*	—3.00*	—0.75
Bihar	0.71	1.72	1.00
Orissa	0.07	2.33	2.34*
Uttar Pradesh	—5.04**	—4.24*	0 56
West Bengal	1.63	3.18	1.53
All-India	0.63	1.50	0.85

Note * Means significance at 5 per cent level. ** Means significance at 1 per cen level.

area, production and productivity of jute in various States during the period 1967-68 to 1978-79.

It may be seen from Table I that at all-India level, each of the three components of jute cultivation, i.e. area, production and yield rate have recorded a positive though non-significant growth rate during this period. The annual increase in area, production and yield rate is about 0.6 per cent, 1.5 per cent and 0.8 per cent respectively. The area has undergone a change in the negative direction in the States of Uttar Pradesh and Assam. The decrease recorded in Uttar Pradesh and Assam is statistically significant. The State of West Bengal has recorded an annual increase of about 1.6 per cent in the area of jute crop whereas the increases in the States of Bihar and Orissa are marginal and it is less than even one per cent. The increase, however, is not found to be significant in any of the above states. Due to reduction in the growth rate of area in Uttar Pradesh and Assam the production of the crop has also been affected very badly and it has decreased at the rate of about four per cent annually in Uttar Pradesh and three per cent in Assam. The decrease is observed to be significant in both of these States.

Increase in Production

The State of West Bengal has shown an annual increase of about three per cent in production and Orissa has indicated the increase of the order of more than two per cent annually. The State of Bihar has shown an annual increase of about 1.7 per cent in the production of the crop. The growth rate in the productivity has gone up in all the States except in Assam where it has registered an annual decrease of about 0.7 per cent. The increase in Orissa is of the order of about 2.3 per cent which is statistically significant. In the remaining States, the growth in productivity varies from 0.5 per cent to 1.5 per cent and is not found to be significant.

A study on behaviour of variability on jute cultivation has also been conducted. Table II gives the coefficients of variation and the State-wise average performance of jute cultivation along with the coefficient of variation during the pariod 1967-68 to 1978-79.

It may be seen from Table II that more than 55 per cent area under jute comes from the State of West Bengal. The next important jute cultivating State is Bihar closely followed by Assam. The contribution of Orissa and Uttar Pradesh is quite negligible and even a very high productivity in these States will not enhance the total production very much at the all-India level. The contribution of West Bengal towards the production of jute in the country is about 60 per cent. The State of Assam and Bihar contribute about 17 and 12 per cent, respectively, towards the production of this crop. The remaining States contribute very little. The productivity of the crop is observed to be highest in Uttar Pradesh. This is perhaps due to very limited area under the crop. The productivity of thi crop is miserably poor in Bihar.

The value of coefficient of variation i area describes the extent of variabilit of this crop in various States during th period under study. The State of Utta Pradesh has shown the highest variability in acreage of jute cultivation. Th State of Assam has exhibited the highes variability in the production of jut followed by Uttar Pradesh. There is no much difference in the veriability o different States regarding the productivit of jute.

Table III gives the number of peak and troughs observed in area and production of jute cultivation in variou States.

It may be seen that at the all-India level, area and production have exhibited three

TABLE II

Variation in Jute Cultivation

State	Average Performance			Coefficient of Variation (%)		
	Area (000 ha)	Production (000 bales of 180 Kg. each)	Yield Rate Kg/ha.	Area	Production	Yield Rate
Assam	112.1	902.2	1322.3	14.50	36.51	11.57
Bihar	131.7	638.0	846.5	16.91	20.95	12.30
Orissa	47.0	348.8	1334.9	10.94	17.20	12.66
Uttar Pradesh	10.8	89.3	1476.5	24.47	26.13	10.23
West Bengal	418.2	3123.0	1329.4	17.06	23.22	12.16
All-India	742.1	5231.8	1263.2	14.09	18.06	7.97

TABLE III

Fluctuations in Jute Cultivation

States	Area		Production	
	No. of Peaks	No. of Troughs	No. of Peaks	No. of Troughs
Assam	3	4	3	3
Bihar	3	3	2	3
Orissa	4	4	2	3
Uttar Pradesh	4	4	1	2
West Bengal	4	3	3	4
All-India	3	4	3	4

peaks and four troughs. This indicates that jute cultivation is highly variable from year to year at all-India level. The production of this crop is, however, less variable as compared to its area in all the States except West Bengal. The State of West Bengal plays a very important role in jute cultivation but the area and production of this crop is highly variable in this State. The major influence of West Bengal is clearly exhibited in the fluctuations at the all-India level.

With a view to testing the variability of jute cultivation between different States and years, the total variation in area, production and productivity of jute has been divided into different components by the analysis of variance technique and results are given in Table IV.

TABLE IV

Analysis of Variance of Jute Cultivation

Source of Variation	d.f.	Area		Production		Productivity	
		M.S.	F	M.S.	F	M.S.	F
Between Years	11	232972	4.10**	192857	1.70	23858	1
Between States	4	308825	5.44**	17623489	159.10**	527867	21.18
Years x States	44	56704		110734		24912	

**Means significant at 1% level.

Area Under Jute

Table IV reveals that there is significant difference in the area of jute cultivation from year to year and between State and State. The State of West Bengal has made the largest contribution towards the area of this crop between different States in the country. As regards differences between years, the years 1967-68, 1971-72 and 1978-79 were observed to be favourable years for the area of this crop while years 1974-75 and 1975-76 were bad years for the crop.

Variation in jute production is observed to be highly significant between States in the country though between year to year variation in production is not significant. Also the productivity variation between years have not been found significant implying that the developmental efforts to increase the productivity of the crop have not shown much impact in any of the States growing jute crop during the period under study. The results of the national demonstration trials on jute crop, however, reveal that there is a great scope for improvement in the productivity of the crop by the adoption of the recommended package of practices in all the States. In fact, the existing knowhow in regard to improved jute cultivation should be able to even double the yield. The low yield is attributable to several factors including the lack of irrigation facilities and the adoption of improved seeds and fertilizers. At present, above one third of tho total area under jute is irrigated. In fact a large number of holdings are too small and lacking in resources to purchase the inputs needed for efficient cultivation of the crop. To help them to adopt a recommended package for jute cultivation, there is an urgent need for availability of credit for the purchase of the crucial inputs like improved seeds and fertilizer at the right time and at a remunerature support price for their produce. An extension effort for adoption of package programme on a large scale can go a long way in raising the fibre production in the country. The Jute Corporation can ensure the maintenance of support prices through its proper procurement system to give a fair deal to the jute growers of the country.

A study on performance and growth of jute cultivation during the period 1967-68 to 1978-79 has been taken up in important jute growing States of the country. The purpose of the study is to obtain the trends in the area, production and productivity of the crop. Jute is as export-oriented commercial crop and its production plays very vital role in enhancing the economy of the country. The following broad conclusions can be drawn from this study:

(I) There is not much increase in the area under jute over a period of 12 years at the all-India level. The area under the crop has decreased in the States of Assam and Uttar Pradesh and it has recorded slight increase in West Bengal.

(ii) The production of jute has shown marginal improvement in all the States except for Assam and Uttar Pradesh where production has gone down by four per cent in Uttar Pradesh and by two per cent in Assam. The increase in production is due to increase in area and slight increase in productivity. Wide variations in jute production have been observed from State to State.

(iii) Each State except Assam has recorded an improvement in the productivity of the crop. The rate of increase in productivity is slow and it requires further accelerations.

(iv) At all-India level, the annual increase in area, production and productivity of jute cultivation was recorded as 0.6, 1.5 and 0.8 per cent respectively. The States of Assam and Uttar Pradesh have shown a decreasing trend in the area under jute.

(v) West Bengal is a major jute producing State contributing about 60 per cent of its production. This State has also got a good number of jute mills and looms which utilise the jute fibre.

(vi) Jute cultivation has been affecte by frequent ups and downs in its are in all the States. The area of the cro depends on its price and remunerativ price of raw jute will definitely increas its area and production.

(vii) Major breakthrough in jut productivity achieved at research farm have not been yet translated unde farmers' environments in any of th States. Improved agricultural practice may be propagated to increase the pr ductivity of the crop as the existing hig yielding varieties have not been properl tapped so far. As is evident from t results of national demonstration tria on cultivator's fields, the existing hig yielding varieties are capable of givi very high yields (25-30q/ha) provid the recommended agronomic practic are carefully followed.

Cashew Industry : Challenges of Exports

R. B. L. Garg

Cashew industry is one of the major exchange earners. Besides, it is highly labour intensive. The industry ruled supreme till 1960 in the international markets but gradually started losing ground and is now facing stiff competition. The author makes a fervent plea for increasing domestic production, modernising the existing units, which may lower the cost of production, and finding new markets.

CASHEWNUT INDUSTRY of India, which is highly labour-intensive and a valuable foreign exchange earner, is slowly losing its international customers. There was a time when India had a virtual monopoly over the export trade of cashew. This supreme position continued till 1960 when the country exported 39,436 tonnes of cashew kernels out of the global exports of 41,568 tonnes—roughly 95 per cent. Ever since India's share in the global export trade has been declining. It went down to 70 per cent by 1970 to 60 per cent by 1975. By the end of 1981, India's share had slipped further to about 45 per cent. Quantitatively, India's exports of cashew kernel increased consistently till 1972 (the year in which the country exported as much as 64,542 tonnes). But since then they have been showing a downward trend (Table I), falling to a level of 37,287 tonnes in 1979. Export of cashew kernels totalled 36,856 tonnes in 1980 and 29,449 tonnes in 1981, showing a fall of 20 per cent over the previous year's export figure. Thanks to the increase in the unit-price in recent years, despite quantitative fall (between 1974 and 1981), the actual earnings have registered an increase during 1979-81. Against barely Rs 84 crore worth of export earnings in 1978, the country was able to spin as much as Rs 107.80 crore in 1979, which rose steeply to Rs 151.05 crore in 1980. In 1981 exports fetched exchange earnings worth Rs 171.94 crore. The unit price rose from Rs 28.91 (per kg) in 1979 to Rs 40.98 in 1980 and further to Rs 58.39 in 1981.

TABLE 1

India's Exports of Cashew Kernels
(Quantity in metric tonnes)

Year	Volume
1971	59985
1972	64542
1973	57062
1974	57976
1975	59174
1979	37287 (107.80)*
1980	36856 (151.05)
1981	29449 (171.94)

*Value in Rs crore (as given in brackets)
Source : Cashew Export Promotion Council, Cochin.

India mainly exports cashew kernel to the USSR, USA, Japan, the Netherlands, Australia, Hong Kong, UK, Kuwait, Canada, New Zealand, Singapore, France and the Federal Republic of Germany. There are also a few other countries importing cashew kernel from India, but they are only marginal buyers. It may, however, be pointed out that the USSR and the USA are the major Indian markets which jointly account for over 83 per cent of the total exports of cashew kernel. A glimpse of the country-wise exports during the last three years (Table II) would reveal that although there has been a marginal decline in exports to the USSR (mainly in 1981), India is losing the US market perhaps more rapidly. The United States of America which imported 12,255 tonnes of cashew kernel from India in 1979, reduced its offtake to 5,948 in 1980 and to 3,483 in 1981. Like-wise, Japan's import also declined from 3,877 tonnes in 1979 to 1,798 tonnes in 1980 and further to 931 tonnes in 1981. Among other countries which showed marked fall in their off-take, the most notable is the Netherlands which imported only 383 tonnes of cashew kernel in 1981 against 1678 tonnes in 1980. The UK is yet another country which is fast slashing its imports. This is evident from the fact that it imported much less in 1981 (only 302 tonnes) as compared to 1979 (666 tonnes). The countries such as New Zealand, Kuwait, Hong Kong, Canada, the Federal Republic of Germany and France, which were tolerably good markets upto 1979, were only marginal buyers in 1981.

TABLE II

Country-wise Export of Cashew Kernels
(Volume in M. tonnes)

Country	1979	1980	1981
USSR	12255	22780	21183
USA	12949	5948	3483
Japan	3877	1798	931
Australia	1460	1160	905
Czechoslovakia	neg.	308	501
Singapore	502	281	409
Netherlands	1553	1678	383
UK	666	397	302
New Zealand	268	271	191
Kuwait	274	331	182
Hong Kong	513	524	144
Canada	1161	307	48
G.F.R.	638	220	31
France	224	125	10
Others	947	728	746
Total	37287	36856	29449
Value (Rs cr)	107.80	151.05	171.94
Unit Value			
Rs per kg	28.91	40.98	58.39

Source: Cashew Bulletin—Feb 81 and Feb 82 (published by CEPC, Cochin)

India's export trade of cashew kernels depends largely upon the import of raw nuts the supply of which is being mainly obtained from Kenya, Tanzania, Mozambique, etc. India's domestic production of raw nuts is stagnant at 1.60 lakh tonnes. As can be observed from Table III, there has been a constant fall in imports of raw cashewnuts during the last decade. India's import of raw nuts declined from 1.65 lakh tonnes in 1971 to 1.34 lakh tonnes in 1975 and went down to as low as 34,064 tonnes in 1979. In 1980, India imported only 20,682 tonnes in 1980 valued at Rs 14.96 crores. Although there was some increase in the import in 1981 (31,298 tonnes valued at Rs 38.58 crores), yet it cannot be construed as a reversal of the trend. Mozambique has almost stopped exporting raw nuts to India as the country has set up processing units and thus would be requiring supplies for its own units. India is receiving reduced supplies from Kenya and Tanzania, the other two exporters of raw cashewnuts to the country. The total requirements of raw nuts, including local consumption and also for feeding processing units in India, is estimated at half a million tonnes now.

Stagnant Production

Against this background it may be pointed out that there are 261 processing units eligible to receive imported raw cashew nuts being canalised at present through the Cashew Corporation of India —a subsidiary of STC. Most of the processing units are in Kerala which is also known as the biggest cashew producing State in the country. Other States which have processing units and where cashew is cultivated are Tamil Nadu, Karnataka and Andhra Pradesh. The total area under cashew cultivation is 5 lakh hectares which has been almost static during the last decade, with production hovering around 1.60 lakh tonnes. The domestic production being stagnant, the falling import curve of raw cashewnuts has not only threatened employment in the processing units (which are working much below the installed capacity) but has also been responsible for dwindling exports of cashew kernels.

The cashew industry is in throes of a crisis but as it is highly labour intensive and one of the major money spinners (in terms of foreign exchange) the basic factors which have constrained its growth need to be remedied without further delay. The situation which is obtaining in the industry at present may be attributed to factors such as depleting sources of cashewnuts, spiralling prices, conflicting policies relating to domestic procurement and imports, stagnant domestic production of raw nuts etc. As has been stated earlier, the foreign sources of supply of raw nuts are drying out partly because of setting up of processing units by such countries and partly due to fall in the global production of raw nuts. As a result, the prices of raw nuts have risen substantially. The import price of cashewnuts was just Rs 4,825 per tonne in 1979. It rose to Rs 7,233 per tonne in 1980. The average import price in 1981 was as high as Rs 12,328 per tonne. It is believed that ever since the introduction of canalisation of import of raw cashewnuts through CCI, there has been a fall in the imports of raw nuts mainly due to its inability to compete with more sophisticated agencies making purchases for other countries. The answer does not lie in decanalisation (as has been the recent policy decision) as the chances of import from Tanzania are quite slender and there would not be enough import from Kenya and practically no import from Mozambique and Brazil, which have already set up cashew processing units. However, India's proposal of joint venture in Tanzania for growing cashewnuts there on 'buy-back' basis may be useful in the long run.

It is now widely felt that unless steps are taken to increase the domestic output of cashewnuts, India could see further decline of the industry. The scope for improving the domestic output of cashewnuts is considerable. So far the average yield per hectare is only 400 kgs, which is far less than the level maintained by Mozambique and Kenya. However, if new hybrid varieties are popularised, the productivity, it is believed, could be increased to 1000 kgs per hectare. It may be gratifying to note that a major thrust has been provided to raise the indigenous production which, it is hoped, would reach somewhere near 3 lakh tonnes by 1984-85. Besides, under the World Bank assisted programme, $ 22 million would be spent in five years for the development of cashew plantations in four States—Kerala, Karnataka, Andhra Pradesh and Orissa. The target of 3 lakh tonnes of raw nuts by 1984-85 would not be difficult to achieve if the programme of cashew development succeeds.

There is a need to modernise the existing units without creating any additional capacity, as it would lower down the cost of production. It may be pointed out that the processing units set up by the countries like Mozambique and Kenya are mechanised which now offer stiff competition to us in the export market. As many new countries are fas emerging on the world map of cashew which have begun thereatening some o India's major markets (such as the US, th UK and Holland), it has become neces sary for us to make vigorous promotiona efforts to find new markets.

TABLE III
Import of Raw Cashewnuts

(Quantity M. tonnes)

Year	Kenya	Tanzania	Mozambique	Others	Total
1971	15983	90914	57475	883	165255
1975	14110	70706	47675	1668	134159
1976	11121	44325	15930	2720	74096
1977	1100	62640	—	—	63740
1978	—	22112	—	893	23005
1979	—	33543	—	521	34064
1980	5200	9171	—	591	14962
					20682*
1981	n.a.	n.a.	n.a.	n.a.	31298

*Revised **Source:** 1971-to 1980 Cashew Corporation of India Ltd, Cochin
1981: Cashew Export Council, Cochin.

Whither Indian Textiles?

Indian textile industry is passing through a grave crisis. The four-month strike in Bombay mills has already resulted in the loss of as many man-days as were lost in the whole of India in the whole of 1981 (22.5 million). It has also disrupted supplies of cloth to various markets. The credit squeeze is having a telling effect on the fortunes of the industry. Mounting costs have to be contended with. While consumer resistance appears to have developed, leading to slow growth in domestic sales, export prospects have become blurred as a sequel to growing protectionist tendencies in the developed countries. The full implications of the multi-fibre agreement, negotiated recently, have yet to unfold themselves. Unilateral action by a developed country on imports from developing nations has been disallowed under this agreement, but bilateral negotiations have yet to take place. Hard bargaining can well be expected in these negotiations. Modernisation is another important issue concerning the industry. Even though some attempts have been made in recent years in this respect, up-dating of technology and equipment is the crying need if the Indian industry is to become competitive in world markets. The multifibre policy, adopted in the recent past, though a judicious one in view of the limitations on increasing the availability of raw cotton, has yet to yield adequate results : taxation structure continues to be heavily weighted against it.

This feature deals with the various problems concerning Indian textile industry and suggests various ways to tackle them.

Future of Textile Industry

Dr Bharat Ram

ON THE face of it, it appears that textile industry has been shifting from one crisis to another. It is seldom attempted to find out what the root causes of this crisis are and how the industry, which is the oldest in the country, could be made dynamic to subserve the interets not only of the domestic economy but also of the markets abroad.

It is natural that an industry, which is so overwhelmingly dependent on agriculture for its major input, has to share the fluctuations caused by the weather. Nevertheless, the crisis in textiles is something more than mere fluctuations in crop production. These, at best, can be of a short-term character. With a judicious buffer stock, they can be largely eliminated. However, there are basic issues involved, of a fairly long-term character, which have exposed the industry to innumerable difficulties. These relate really to issues like capacity, technology, labour relations and such other factors.

The production of cloth is undertaken, apart from the mill sector, by handlooms and powerlooms. It is unlikely that the mill sector would be permitted to make any inroads into the other sectors primarily because they are so well protected mainly from the point of view of employment. Therefore, in future, the present sectoral position would at best remain more or less static. In these conditions, what would have to be the strategy for the development of the mill sector, considering, no doubt, that the economy would grow and the standard of living of the people will improve?

Strange as it may seem, that in spite of the tremendous increase in national income, the per capita consumption of cloth has actually declined. From 16.45 metres per capita in 1965, consumption has come down to 15.25 metres in 1979.

Per Capita Availability of Cloth

Year	Cotton fabrics	Blended & Mixed Fabrics	Total Metres
1965	14.72	1.73	16.43
1975	12.58	2.22	14.08
1978	10.23	5.35	15.58
1979	10.25	5.00	15.25

It is relevant to note that the decline in per capita consumption is not because people are more poorly clothed. What has happened is that there has been a shift from cotton fabrics to blended fabrics? The latter have a life about three times as long as that of cotton fabrics. As such, while in terms of metres of cloth, demand has significantly gone down, it is not that the people are less clothed than before. For instance, in 1965 only about 10 per cent of the cloth that was consumed constituted blended and mixed fabrics. In 1979, this proportion went up to about 33 per cent. If the life span of blended and mixed fabrics is translated in terms of cotton fabrics, per capita consumption in 1965 was 20

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metres and 25 metres. in 1979.

This trend which is more prominently manifest after Government adopted the multi-fibre policy has important implications to production capacity in the mill sector. With the drop in per capita consumption of cloth, considerable capacity in the mill sector has been rendered surplus. This is one of the primary reason why a number of cotton textile mills have become sick and but for the succour given by Government would have collapsed. This artificial support has imposed considerable burden on the consumer and on the exchequer. If the sick units were allowed to die a natural death, it would have been possible for the rest of the industry to energise itself into an efficient production engine to meet domestic demand as also exports.

Accelerated Shift

The shift to synthetic will have to be accelerated in the years to come. This is so for the simple reason that there are limitations to increase the production of raw cotton. Cotton crop naturally competes with other crops and an expansion in area under cultivation would naturally involve a corresponding reduction in some other crop. Fortunately, cotton has a good substitute, namely, synthetic fibres. Therefore, to meet the demand for textiles, there would have to be a shift from cotton to blended fabrics.

This is not something unique to our country; it has been happening all over the world. In fact, the trend in our economy has been, to some extent, slow because the taxation of synthetic has been at very high levels. For instance, duties levied on basic raw materials fibres, yarn, as also fabrics together add up to between 150 per cent and 200 per cent of the price in case of most synthetics. In order to encourage production of synthetic fibres it is therefore necessary that the duties on synthetic raw materials at every stage are reduced.

Increased Productivity

The effect of such reduction should be looked at from the point of view of increase in production and improvement in product-mix. The enlarged production base will ensure that the revenues of the exchequer are not endangered. Moreover, the scaling down of duty at a reasonable level would enable increased supply of synthetic textiles at lower prices.

As a means to provide an improved and cheaper variety of cloth to the consumer, it is, therefore, important that there is a shift from cotton to blended fabrics. This would mean for some time a reduction in per capita consumption as has been witnessed in the recent past. With such a reduction, the present production capacity in the mill sector will be adequate for quite a few years. In the extreme case, for instance, when the whole of the additional production is from synthetic fibres, the present capacity in the mill sector, assuming the current inter-sectoral production pattern to be constant, would be adequate for another seven to eight years. No doubt, it has been long realised that the country's spinning and weaving capacity is somewhat excessive. The need, therefore, is not to have additional capacity, as is sometimes believed, but to modernise the industry and weed out units which are not in a position to come to the modern technological standards.

The strike in Bombay, which has already prolonged for more than 3½ months, in a way highlights this problem. That, in spite of the closure of a substantial section of the textile industry, there should be no scarcity of textiles as such is an indication that the other mills are in a position to meet the demand. Certainly, after the strike is over a number of mills may not open at all. But, even in the rest of the sector, there are mills which find themselves out of balance and which could be closed down. The unemployed in such cases could be compensated by selling off the assets, including land.

Updated Technology

The need today is to make the industry technologically up-to-date rather than expand capacity as such. This need was foreseen quite some time back and schemes for modernisation of textile industry had been introduced. The soft loan scheme was floated a few years back and made it possible for the industry to get assistance at reasonably low levels of interest rate. A few units were able to take advantage of the scheme and modernise their equipment. However, the problem h not been fully tackled and is of utmost importance th in the next five years, t whole industry is technol gically up-dated. Of cours not many companies wou be able to find resources inte nally and will have to depen on the financial institution or the capital market. Bot these sources need to b geared to assist the textil industry.

The Cross-Roads

The cotton textile industr today is at the cross-road The character of industry ha so basically changed that is no longer the first choice c the novice. It has become technologically advanced industry requiring both capita and skill. The industry in th 70s has fallen behind becaus the technical renovation tha was necessary hardly too place. In the 80s the effor has to be in this directio and to ensure that efficienc and productivity improves.

In short, the textile industry's problems should b looked at not in the short term but on long-term basis The solution lies in :

(a) Massive modernisatio of the existing mills for whic adequate finances must b made available;

(b) Weeding out of non viable units even by adequat compensation to the workers

(c) Shift from pure cotto to blended fabrics with appropriate taxation policies t make the shift possible in short time.

In my opinion, if thes steps are not taken, the textil industry will continue to mov from crisis to crisis.

Modernisation Without Tears

K. N. Modi

INDIAN textile industry occupies the first place in the world in terms of spindlage, second in terms of cotton consumption and third in term of installed capacity to produce yarn and fabrics. Apart from having one of the world's oldest textile industries, India is also a major producer of cotton. Yet, in spite of these inherent advantages, Indian textile products have little impact in the world market. Further, today the Indian industry is reeling under a severe crisis due to increasing production costs coupled with slack domestic demand.

One of the causes for this dismal state of affairs is the lack of modernisation. The Government as well as the management and labour can play a vital role in re-vitalising the industry and bringing it at par with other countries.

Broad Classification

Indian textile industry can be broadly classified into two sectors: the handloom sector and the mill sector. There is also the powerloom sector, which is a smaller one.

Keeping in view the employment potential and the increasing demand for handloom fabrics in foreign countries, the handloom sector plays a vital role and it must be given due encouragement and protection. The interests of the handloom sector are being protected by tax relief, reservation of items, subsidies, etc.

The mill sector, on the other hand, must also find a place in the export market and this can only be achieved by:

(a) Producing quality goods of international standards;

(b) Increasing productivity; and

(c) Reducing costs.

The loom capacity in the mill sector has been frozen for many years because of Government's policy.

Old Technology

The quality of our textile products can never be of international standards unless we discard old technology and adopt the latest weaving techniques which are being used in the foreign countries. Only 24 per cent of the looms installed in India are automatic and they are of an older model. There are hardly any shuttles looms. Further, Western countries have installed high-speed processing machines and they require larger and wider piece lengths for feeding these machines. In order to meet this requirement, we must instal modern and sophisticated machines.

The rising costs of raw materials, wages and taxes are having a crippling effect on the industry. During the period September, 1980 to August, 1981, production costs went up by 29 per cent in the case of cotton yarn and 25 per cent in the case of cloth, whereas the prices of finished goods increased by only about nine per cent.

These figures underscore the need for installing new machines which are cost-efficient and more productive.

Impossible Condition

It may be stressed here that the policy of earmarking units for 100 per cent export will not serve the desired purpose. The industry as a whole must be modernised to produce quality goods at competitive prices. This will generate a surplus in the home market which can be used for export purposes.

India's performance on the export front has been far from satisfactory in comparison with world standards. India's share in world exports has been in the region of four to five per cent. Even newcomers like South Korea and Taiwan are doing much better than us in the world market. Given below are the figures in percentage terms of total production of cotton fabrics exports by various countries.

Percentage of Total Production of Cotton Fabrics Exported

	1978	1979	1980
India	5.4	6.9	6.1
Hong Kong	62.1	59.4	63.2
Taiwan	63.1	59.2	58.6
Korea	79.1	65.3	79.9
Japan	13.1	9.7	14.4

These figures indicate that while India in 1980 exported only 6.1 per cent of its production of cotton fabrics, much smaller countries like Hong Kong, Taiwan and Korea exported 63.2 per cent, 58.6 per cent and 79.0 per cent of their production, respectively. This is despite of the fact that among the countries listed above, India is the only producer of cotton.

Export Performance

In the case of synthetics, India's export performance was only Rs 8 crores, as against about Rs 650 crores each by Taiwan and South Korea.

It is obvious that India is not fully exploiting the export market in spite of a number of advantages. The reason for this is obvious.

Foreign buyers are very strict about quality, price and delivery schedules and India with its obsolete equipment, high cost of production and un-predicable infrastructure, is unable to match the competitors on these three fronts in the international markets. It is, therefore, the need of the hour for the Indian textile industry to undergo complete modernisation.

The integrated textile policy of the Government has not considered the urgent need for modernisation of the mill sector in order to increase capacity so that adequate surpluses are generated. Due to lack of modernisation, quality and cost of the product are not competitive and hence they are unable to export.

The scheme for 100 per cent export units is not attractive because:

1. There are wide swings in fashion, consumer preference and trade cycles in international morkets, making export ventures too risky.

2. The rate of return on investment in 100 per cent export units is not satisfactory.

3. The personnel are not trained to operate and maintain sophisticated machines needed for 100 per cent export units.

The Government should, therefore, include the following points in its policy:

1. Allow expansion in wide width and other special types of looms, the products of which are in greater demand in overseas markets.

2. Many mills in the western countries are closing down due to high production costs; therefore, goods quality second hand machinery should be allowed to be imported free of duty.

3. A modernisation reserve should be allowed by the Government whereby mills may be allowed to set aside 30 per cent of pre-tax profits before depreciation—this fund should be used only for modernisation.

4. The taxation system should be rationalised to bring it at par with other countries.

5. The loomage freeze should be lifted.

6. The duty structure on man-made textiles should be such that the cost is comp titive in the world markets.

7. The Government shou advance soft loans to mills f modernisation.

If the Government conside these points, I am sure th the Indian textile industr would be back on the rails an would be able to compete i the world markets.

The industry should als make efforts to optimise capacity utilisation in order to r duce the impact of overhea costs so that they are out o the red and can make a nam in international markets.

Textile Industry's Woes

J. K. Srivastava

THE LABOUR-intensive Indian textile industry, which has played a pivotal role in the industrial development of the country and has been in existence for over a century, has been faring disastrously in the post-independance era. More than 111 mills have been declared sick and taken over by the Government. Many other mills have closed down and a large number of mills situated in UP, MP, West Bengal and other centres are candidates for take-over or closure as they have been piling up credit liabilities and losses instead of generating resources. Textile, from a low-cost industry, has become a high-cost, low-productivity and low-profitability industry.

A Reserve Bank study has shown that the profitability and resources generation of the textile industry during the last two decades has been the lowest among all industries. The industry had played a honourable role in the past, both in earning foreign exchange and clothing India's millions. It was producing over 80 per cent of the cloth requirements of the country, but today its role has been drastically reduced as it is only producing 40 per cent of the requirements. The annual production of the textile industry, which was 5,400 million metres just over 20 years ago, is a mere 4,000 million metres now.

The Government policy has not been at all helpful despite the labour-intensive and export-oriented character of this industry. The industry has not been promoted but has been merely tolerated and various restrictions have been imposed such as freezing of loomage, ban on production of certain qualities, etc. The Government policies are not aimed at the healthy growth and development of the three sectors, namely, the handloom sector, the powerloom sector and the mill sector. The present discriminatory policy between the three sectors has mainly benefitted the powerloom sector, which has taken full advantage of the remissions and exemptions from excise and other duties and imposts. In the powerloom sector, unchecked, unlicensed and unauthorised growth has flooded the textile market with cloth and is responsible for the present glut and demand-recession in all the three sectors, including the handloom sector.

The recent history of the Indian textile industry has been a story of too many sticks and too few carrots. The industry has been the principal casualty, as taking all the medium and large-scale industries into account, the number of textile units closed down and declared sick is the highest.

Two of the main obstacle from which the textile industry is suffering are: first non-availability and high prices of cotton, and second labour militancy, rampant indiscipline and wage-hike epidemic without corresponding obligation of higher productivity.

The Janata Government regime did incalculable harm to the textile industry by imposing with vengeance the crushing burden of manufacturing controlled cloth and supplying it at prices of raw cotton. They also forced the industry to roll back the prices of cloth and yarn regardless of the cost factor and at wholly uneconomic prices. In fact, in an era where everything was rolling, rolling back of prices, rolling plans and rolling of heads, the only thing that did not roll was rolling stock.

The volatile cotton market has been in the grip of violent price fluctuations on account of recurring shortages. To stabilise prices, a minimum carry-over of three months' stock is absolutely necessary. But for the last several years, it has been far below this level and despite this cotton scarcity, the Government has not been able to resist the pressure by the cotton lobby to export cotton at a time when there has been no exportable surplus. The role of the monopoly purchasers like Cotton Corporation of India and Maharashtra Federation, which have been cornering cotton when there was a shortage, has not been conducive to the good health of cotton economy. Instead of acting as a stabilising factor, these two organisations were more interested in inventory building at a time when there was acute scarcity. The best interest of the cotton economy is not being served by taking a narrow sectional view. It is high time that Cotton Corporation of India and Maharashtra Federation change their policy and act as a stabilising force.

The multi-fibre policy, which had as its aim relieving the pressure on cotton by supplementing and replacing it with man-made fibres, has had a severe setback. The use of man-made fibres, such as viscose, has been loaded with disincentives and as such their use has become uneconomic and prohibitive. The duty-induced spurt in the prices of all fibres has created yawning gap and wide disparity between the prices of cotton and man-made fibres.

The success of the multi-fibre policy can only be achieved by maintaining an equitable structure of relative prices between cotton and man-made fibres. Constant tinkering with the duty structure has robbed the multi-fibre policy of that modicum of stability which is necessary for its development and healthy growth.

The duty structure, including the import duty and excise duty, must be substantially reduced. Parity between cotton prices and man-made fibres must be restored to the same level as when multi-fibre policy was first promoted by Government; the industry had then readily accepted the compulsory use of a percentage of man-made fibres. This will go a long way in putting back the multi-fibre policy on a sound footing and giving a fillip to production of blended fabrics which are in demand.

Apart from these handicaps, there are also other problems facing the industry such as obsolescence and antiquated plant and machinery. Some of the more prosperous mills have been able to modernise and re-equip their plants, but other less fortunate mills, which have not generated adequate resources to plough back, have not kept pace with the updated technology.

It is also true that managements of some mills have frittered away their resources in payment of dividends and by setting up new industries at the cost of the existing parent mill. In the last few years, the Soft Term Loan Scheme of the IDBI has been of great assistance to some mills and

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has enabled them to modernise. The textile industry, being a cyclical industry, is however hit by an acute economic recession and is faced with the difficulty of finding promoter's contribution and for raising funds to meet the repayment liability of both loan and interest thereon. This has certainly slowed down the pace of modernisation, which is already in heavy arrears. In common with the other industries, the textile industry has also to contend with rampant under-utilisation of capacity on account of severe power-cut and coal shortage.

The credit squeeze imposed on industries by the Reserve Bank has aggravated the situation further on account of curtailment of bank credit facilities. The industry is suffering from inadequacy and high cost of bank finance.

It is hoped that the ba will play a more pragma outward-looking and imagi tive role in rendering assista which will go beyond the n mal lending criteria to t over the present tempora difficulties.

Bombay Bedevilled by Labour Unrest

T. T. Vijayaraghavan

THE BOMBAY textile scene is currently overshadowed by the prolonged strike which began on January 18 this year. In all sixty mills have been affected, 47 mills in the private sector, 12 units run by the National Textile Corporation and one by the State Textile Corporation. On the rolls of these mills are 225,000 workers. The average daily attendance is stated to be 180,000. Assuming a minimum daily earning of Rs 37.5 per worker the loss to labour would be of the order of Rs 68 lakhs per day.

The strike, called by the militant labour leader, Dr Datta Samant, who had formed his Maharashtra Girni Kamgar Union (MKGU), is over a demand for a steep hike in wages and fringe benefits. According to rough calculations made, the increase works out to anywhere between Rs 450 and Rs 650 per month per employee over the present emoluments. This is expected to impose on the industry an additional annual burden of Rs 100 to Rs 160 crores. The Chairman of the Bombay Millowners' Association claims that what Dr Samant is demanding is a doubling of the wages and that this would spell ruin for the textile industry.

Constructive Suggestion

It cannot be anybody's case that the textile workers should not have a fair share of the prosperity of the industry. It can also be conceded that hard negotiations are necessary to secure the same end. But this should be done in a constructive way. As opportunity was provided in March this year when the State Labour Minister, Mr Gaikwad, gave the information in State Assembly that the Union Government had decided to set up a national tripartite committee for the textile industry. This provided a face-saving device to Dr Samant. He could have called off the strike and brought the grievances of workers before the proposed committee which could have been asked to publish an interim report. But this was not done. Instead an attempt was made to organise a Maharashtra bandh on April 19 to back his extravagant demands.

The bandh, however, proved a flop and when the issue was raised in the Lok Sabha in April, the Union Government remained firm. Mr Bhagwat Jha Azad, Union Minister of State of Labour, pointed out that workers should return to their jobs and seek through normal legal machinery the redressal of any legitimate grievances. He also rejected the suggestion that the Bombay Industrial Relations Act, passed by the Maharashtra legislature in 1948, should be repealed. On the question of parity of wages of textile workers with those in the engineering and chemical industries, Mr Azad contended that while the textile industry is labour-intensive, the chemical and engineering industries are capital-intensive. The higher cost, consequent on a rise in wages, can be passed on to the consumers in the latter case but not so in the case of the textile industry.

The point however, is even while asserting that the Government had no intention of making the strike a prestige issue, Mr Azad went on harping on the theme that the Government could not go beyond the law and the Constitution to settle the strike. Then how is the stalemate to be ended? N much credence attaches to t stories periodically trotted o about workers returning work in increasing number Even according to the offici version, forty mills were r ported to have reopened t April 24, but the total worke reporting for work on th date was a mere 7,855 !

Adverse Impact

The fact is that the prolonged strike, besides causin misery to the workers, has ha its adverse impact on th national economy. It has bee reported that Delhi is face with a severe shortage of textiles as a result of the strike Of the stocks received in Delhi 50 to 60 per cent are supplie by the Bombay mills. The situation could get worse i the strike continues. New Delhi, it cannot be ignored, is a major trading centre fo the northern region. The impact of the strike was not immediately felt since the trade carried huge stocks. As they get depleted, it will be clearly seen that the country is heading for a cloth famine. The average daily loss in cloth production is placed at four

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million metres. The loss in production of 400 million metres upto the fourth week of April amounts to 10 per cent of the total mill-made cloth production.

Also it should be a matter of concern that the export trade has been badly hit by the prolonged strike. According to the Cotton Textile Export Promotion Council, exports have dropped by nearly Rs 50 crores because of the heavy loss in production suffered by the Bombay mills. It may be pointed out that exports from Bombay units account for nearly 60 per cent of the total export of cotton textiles from the country. Again, industries dependent on the textile industry like dyes and chemicals have also been hit. The strike has inevitably aggravated the liquidity crisis in the banking system. Though there is no production in the mills, they need credit to meet overhead costs. The national exchequer has lost by way of taxes.

Since the strike has cost the industry Rs 20 lakhs in profits every day, it is easy to understand the disquiet it has caused among mill-owners. Reports appearing in the press that they are thinking of shifting the mills outside the city limits should be however, dismissed out of hand. This is not practical politics. Nor is the suggestion that there should be reorganisation of labour force in view of the excess in relation to the looms capacity. stalemate in the textile strike has admittedly been enmeshed in too many techicalities and considerations of prestige. Bu it is also obvious that each o the parties—the workers, th millowners and the Govern ment—are just waiting fo some face-saving formula t end it. At this stage an appea by the Prime Minister to th workers to rise above partisa considerations coupled wit some token relief for the workers who have suffered and an understanding that the dispute should go to the proposed tripartite committee seems t be the only way out. Action was never needed more quickly.

The Crisis in the East

R. J. Venkateswaran

THE COTTON textile industry in the eastern region has been passing through a more severe crisis than its counter-parts in the other regions. The excessive railway freight on raw cotton, erratic supply of power, low labour productivity and lack of modernisation of machinery have resulted in stagnant production and poor profitability. The production of cloth in West Bengal was 1936.0 lakh metres in 1973 and 1297.3 lakh metres in 1974 and of yarn 545.6 lakh kgs and 447.9 lakh kgs, respectively. But in 1980 the production of cloth was 1386.0 lakh metres and of yarn 482.4 lakh kgs.

As at the end of 1980, the eastern region had 21 composite mills and 23 spinning mills with an installed capacity of 13.33 lakh spindles and 11,100 looms. It had 6.3 per cent of the total spindles and 5.3 per cent of the total looms installed in the organised sector of the cotton textile industry in India. West Bengal accounted for over 80 per cent of the spindles and looms in the eastern region. Of the 21 composite mills in this region, nine are in the public sector and 12 in the private sector. Of the 33 spinning mills, the public sector has 12 and the private sector 21.

The handicaps faced by the textile mills in the eastern region have been brought to the notice of the Government of India both by the State Governments concerned and by the industry on numerous occasions. But, far from helping the mills in this region, the policies of the Central Government have been adding to their difficulties. The share of this region's installed capacity of spindles and looms in the country's total installed capacity has remained at only 5 to 6 per cent compared to the region's share of about 25 per cent in population. In the case of spindles installed, the region's share at the end of 1980 was 6.32 per cent against 6.47 per cent at the end of 1977. But the policies of the Central Government continue to be unhelpful to the development of the industry in this region. For example, the recent increase in the railway freight rates has further escalated the costs of production.

In its *Economic Review for 1981-82*, the Government of West Bengal focused attention on this aspect. It has said that "even before 1974, the freight rates fixed for the longer distances were a serious disadvantage for this State, resulting in a situation where the freight alone constituted about 1.7 per cent of the total production cost of the cotton mills in the State, whereas, for the mills in the western region, the freight on the average was only 0.4 per cent of the total cost." The *Review* added that "the freight rates have in fact become sharper for the slabs relevant for the State, putting the mills in a position of further disadvantage in relation to mills in the western region."

A study team, set up by the Union Commerce Minister in 1979, in its report submitted last year, recommended freight equalisation for the raw cotton consumed by the mills in this region. The team said that if this was not possible, some concessions in freight should be given to these mills. Such a facility, in fact, was enjoyed by them until a few years ago for transporting cotton from the Punjab. But this was discontinued.

Because of the long distance over which cotton has to be brought to this region, the mills have to carry higher level of inventories. The study revealed that while the mills in this area held stocks for nearly three months' consumption in 1978-79, the units in the other States held stocks for only 0.34 months' consumption. In the subsequent years, it has become more costly to hold the inventories due to the increase in the rates of interest.

The *Economic Review* of the Government of West Bengal gives the impression that the textile mills in this region suffer only, or mainly, due to the high cost of freight on raw cotton, for which it holds the Government of India responsible. But the fact is that the indifference of the State Governments has also been creating many problems for the mills, For example, the persistent power shortage has been a severe impediment to the industry's progress. It is estimated that an average textile unit in West Bengal lost 2,046 hours in 1979 on account of the power cuts and that the value of production lost in an average unit was Rs 279.90 lakhs. In the first eight months of 1980, the hours lost per unit were about 1,684 and the loss of production was Rs 267.03 lakhs.

The unscheduled power cuts and the high voltage fluctuations have been causing immense harm to the industry. Apart from the loss in production, the industry is not permitted to lay off workmen and so wages have to be paid even for the long spells when they remain idle due to load shedding. Electrical installations and highly sophisticated machinery get damaged due to the sudden switching off of power. Besides, it spoils the cloth on looms and the cloth in process and disturbs the humidity conditions in the various departments.

The low level of work-load is another factor which is responsible for the present plight of the mills in this region. In 1980, the labour employed per 100 looms was 85.87 in West Bengal, 110.61 in Bihar and 71.05 in Orissa compared to the all-India figure of 56.43. The labour employment per 1000 spindles in the same year was 9.98 in West Bengal, 7.04 in Assam, 9.76 in Bihar and 9.83 in Orissa against 6.99 for the country. The low capacity utilisation and the high labour employment per machine have discouraged millowners from installing modern machinery.

Apart from the high cost of cotton, power shortage and other constraints, the mills are handicapped in changing their product-mix and undertaking the manufacture of more blends and synthetics. The Industrial Reconstruction Corporation of India has set up a processing unit but, because of its high charges, its capacity remains under-utilised.

In his presidential speech at the 48th annual general meeting of the Eastern India Textile Mills Association held in Calcutta recently, (till January 1982 this was known as the Bengal Mill Owners' Association), Mr G.C. Moondra highlighted the crisis facing the mills in this region. He disclosed that in 1979-80 manufacturers of textile machinery were quoting delivery schedules of five to six years. Now they are offering the same machines off-the-shelf. But, according to Mr Moondra, the mills have no money even to pay the excise duty, sales tax, and the cost of transporting the machines.

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Handlooms : Tamilnadu Maintains Its Lead

S. Vishwanathan

THE TEXTILE industry had an early start in the south. The areas around Coimbatore district had good cotton growing tracts, which later got extended to the southern districts of Tamilnadu. Based on this, the nucleus for the cotton textile industry was created over a hundred years ago. Madura Mills and the Buckingham & Carnatic Mills has their beginnings a century ago and grew over the years into large composite mills. Three decades later, the Coimbatore Cotton Mills and the Lakshmi Mills were established in Coimbatore. With this beginning, the indigenous entrepreneurs took a liking for textiles which grew very fast into a major industry of the South.

Producer of Yarn

A measure of this growth should be evident from the fact that Tamilnadu is a major producer of yarn. Its production of around 200 million kgs is about a sixth of the total all-India production. However, over the years, the Tamilnadu textile industry has preserved a specific bias for spinning. Only large established ones like B & C, Madura Coats, Coimbatore Cotton Mills, Lakshmi Mills and Premier Mills and a few other units which functioned under the National Textile Corporation are composite mills. The total production of cloth in the organised sector in Tamilnadu is just in the region of 160 million metres, which is around four per cent of the total cloth output in the organised sector in the country. Understandably, processing, dying and finishing facilities as also units supplying dyes and colours for these purposes are also few in number. There are 180 mills in Tamilnadu. With installed spindiage of 50 lakhs, there are around 10,000 looms.

Tremendous Change

The tremendous change brought about with the introduction of blended fabrics and which vastly improved the fortunes of the textile mills in Bombay and Ahmedabad have not been taken advantage of by the industry in Tamilnadu, which appears to remain by and large content with meeting the requirement of yarn of the organised and more particularly the handloom sector.

In recent years, among the established giants, Madura Coats took to timely modernisation and made some progress in regard to marketing of quality blended fabrics. The giant Binny has been passing from one crisis to another, largely the result of lack of attention to rationalisation and modernisation. This giant has installed 1.79 lakh spindles and 4,146 looms, but has been bogged down with a variety of problems several of which appear intractable. This led to the decision of the management to announce the closure of the mills from January, 1981, and operations remained suspended for some six months. For once the Centre was firm and decisive in not permitting further pumping in of resources through the term lending institutions for temporary gains. The company was asked to cut off excess flesh to the extent of a sixth of the total work-force and also to bring productivity in line with others in the State. The phase of readjustment sought to be implemented through nominees of the financial institutions who now head the management has not brought about much of an improvement. Difficult marketing conditions bring in their own problems.

Modernisation

Among others, Coimbatore-based Premier Mills has recently taken to modernisation in a big way. It has installed some of the latest automatic Sulzer looms in a modern plant at Bangalur near Hosur and is making a serious bid to capture a portion of the fashion fabric market which has hitherto remained the preserve of Bombay and Ahmedabad. In the imaginative promotion for a convertible debenture issue for Rs 5 crores, the first of its type from a company in the south, Premier Mills did create an impact. However, it did not have the desired effect of ensuring comfortable subscription for the debenture issue despite the big promotion drive—which cost the company an estimated Rs 50 lakhs. It was with difficulty that the public issue could be closed before reaching the target. This was rather unfortunate. An easy success of such an issue would have helped in opening out tradition - bound conservative companies of the south.

Aid to Handlooms

The large production of yarn in the State supports a big and growing handloom industry. The State is a major producer of handloom fabrics. There are around 5.56 lakh handlooms in Tamilnadu and the handloom industry is next only to agriculture in its importance, supporting over a million persons.

The traditional skills, passed on from generation to generation are sought to be consolidated and further developed by an all-pervasive programme of assistance by the State which has done pioneering work in this field.

Consistent attention has been paid to the development of handlooms, designed to ensure continuous employment to weavers and assure them a steady income. The State has evolved a two tier set-up involving a network of primary handloom cooperatives covering clusters of

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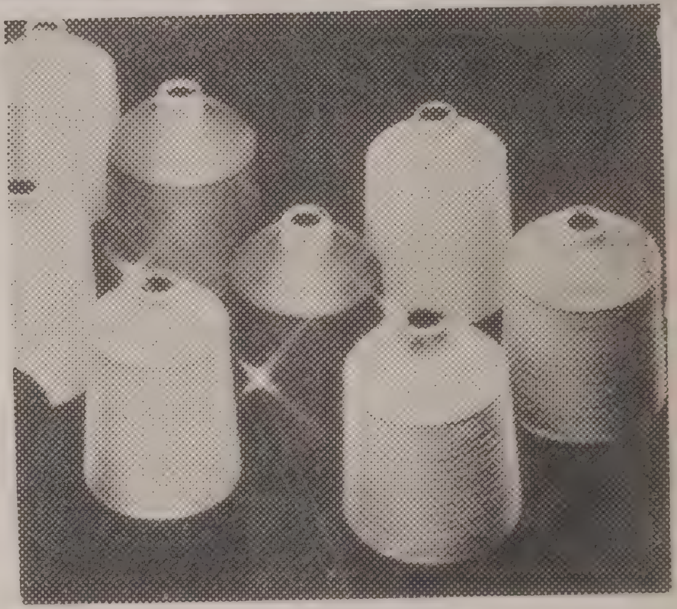

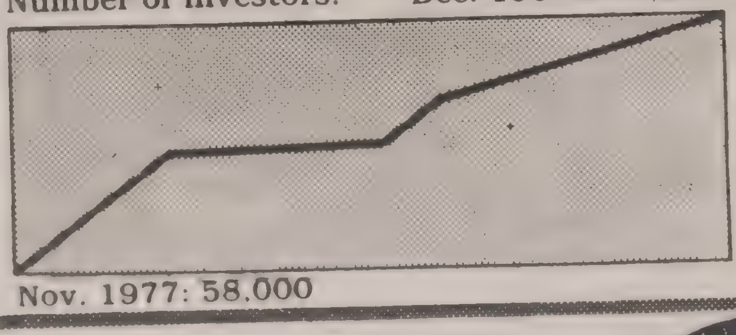

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weaver at the base with a federal marketing corporative at the apex level. The assistance extended is quite comprehensive. It includes organizing common worksheds for handloom weavers; progressive expansion of coverage of weavers under the cooperatives; assured supply of various inpute including cheap credit; upgradation of technology; setting up design centres; provision of pre-loom and post-loom facilities; stepping up exports; implementation of welfare measures such as savings and security schemes; housing scheme for weavers.

Considerable progress has been made in this regard. Nearly 2.89 lakh looms, forming 51 per cent of total handlooms in the State, are already in the cooperative fold. For the Sixth Plan a provision of nearly Rs 85 crores has been made for handloom industry, which marks a more than three-fold increase in the outlay for the earlier plan.

Continuous Rise

There has been a continuous rise in the production of handloom cloth in the co-operative sector; from 103 million metres in 1981, production is expected to increase to 120 million metres during 1982-83.

This impressive programme of production is sustained by a well integrated scheme that takes care of the requirements of the weaver in the form of assured supply of quality yarn at modest prices, concessional finance, upgradation of technology through renovation and modernisation of looms, design-cum-service facilities and most important of all, marketing support. The State has 12 co-operative spinning mills with an installed capacity of 3.17 lakh spindles which produce 7,500 bales of cotton yarn per month. Three new co-operative spinning mills, each with a capacity of 25,000 spindles, are being set up at a cost of around Rs 21 crores. Another Rs 9 crores are being spent on expanding the capacity of two of the existing 12 mills. Yet another is being planned to be set up at Poet Bharati's birth place.

Feeding Handlooms

The production of these mills is made available to handloom weavers of 1,251 primary cooperative societies through 22 retail outlets of the apex body, the Tamilnadu Handloom Weavers Cooperative Society (COOPTEX). Supplies are augmented by procuring yarn from the mills of the National Textile Corporation. To avoid fluctuations in prices, the State proposes to set up a raw material bank with financial assistance from the Centre on a matching basis. The State has also set up, with financial assistance from the Government of India, four intensive handloom development projects and two export production projects. These have enlisted over 15,000 loans as at the end of 1981 and produced during that year Rs 4.12 crores worth of cloth.

Co-optex has become a household name for handloom products even in several cities outside Tamilnadu. It has a paid-up share capital of Rs 11.64 crores. It takes care of a wide range of activities which extend from procuring and supplying raw material such as yarn, silk, zari, dyes and chemicals to primary weavers co-operative societies to marketing support to the handloom goods produced by these primaries. During 1980-81, Co-optex had sales of Rs 48 crores. For 1982-83 this is expected to increase to Rs 100 crores. The marketing efforts are imaginative and result oriented. Co-optex makes full use of the grant of rebate by the Centre of 20 per cent extended for a period of 30 days in a year on a matching basis. The State Government also sanctions a rebate of 10 per cent on special occasions. In 1981-82 over Rs 5 crores have been extended through such rebates. Co-optex has als been able to sell nearly a fift of its products through credit sale scheme open t Government servants, employees of local bodies an others.

The stress laid on qualit control, especially at the ra material stage, has helpe improve the quality of fabrics The Tamilnadu Textile Corporation, for instance, has se up a cotton and yarn testin laboratory at Coimbatore Several modern dye house are also in the process o being set up. The co-operative spinning mills have bee producing yarn to India Standard Specifications whic has helped in the weaver looking for quality yarn. A very interesting offshoot o

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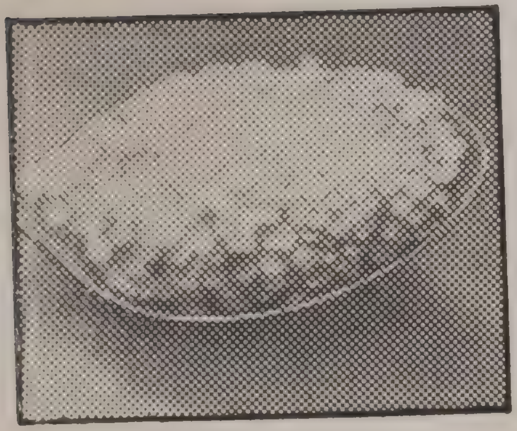

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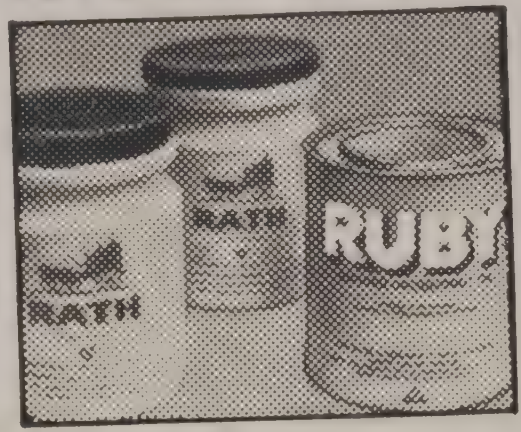

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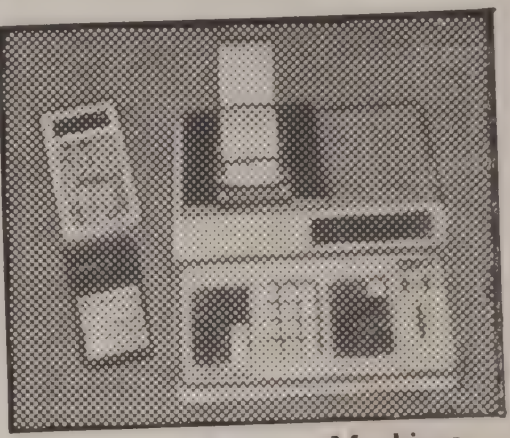

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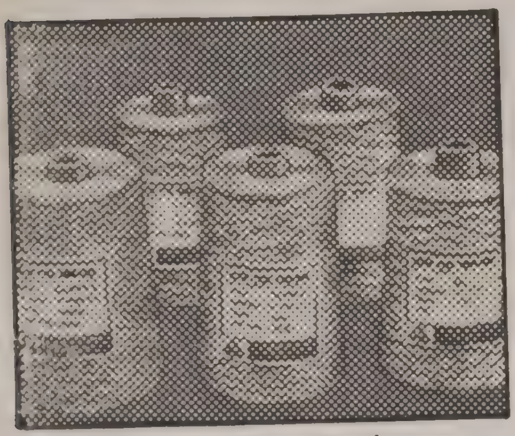

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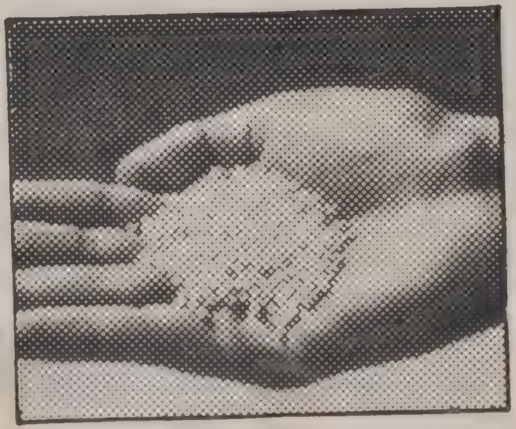

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At the turn of the century, DCM was just a small cloth manufacturing company. Since that time, it has reached over Rs. 380 crores in annual sales. And it is today one of the top twenty industrial houses in India.
The company enjoys a clear leadership in many of its varied activities. Its performance in these diverse fields is a measure capability to hold its own against the world's best.

The Delhi Cloth and General Mills Co. Ltd. DCM this is that a number of mills in the private sector have also fallen in line by opting for ISI certification.

Co-optex has done pioneering work in introducing polyester cotton blends which are quite popular today. Weavers co-operative societies in many centres produce blended fabrics, shirtings, sarees and suiting varieties which are quite popular. Unfortunately processing and finishing facilities are not available within the State, and these are being sent to Bombay involving sizeable transportation and handling charges. By June, 1982, a polyester processing unit is expected to be ready at Erode.

In these schemes of integrating the various activities of the handloom industry yet another major lacuna is being attended to. This relates to centralised cotton purchase for the co-operative spinning mills and the State-owned textile units. In due course, this must evolve into an effective instrument to safeguard the interest of cotton growers also who do not always get remunerative prices for their produce. The structure of co-operatives, which is so successful in the State in the case of handlooms and to a lesser extent milk, could be extended to other important agricultural commodities like cotton.

For long there has been a complaint that the handloom industry in the State has been built over the sweat of cheap labour. The Bhoothalingam Study Group on wages and incomes referred to the low level of wages of handloom weavers at around Rs 2 per day which enabled export houses to make available readymade handloom shirts at as low a price as a dollar per piece. The efforts of the State to increase the coverage under co-operatives and also the several welfare measures giving statutory protection to handloom weavers are expected to improve the working conditions of weavers. There are plans to set up a State Handloom Board to ensure the health of the handloom industry.

The handloom industry accounts for a sizable portion of the total production of cloth in the State. No wonder it receives increasingly larger attention at the hands of the Government, and the success of Co-optex in marketing a much larger volume of handloom goods ensures greater viability of this vital segment of textile industry.

Garment Exports

S. Husain Ashraf

TRADITIONALLY INDIA had maintained the reputation of a supplier of textiles, mainly fabrics, to the world markets. One would like to recall with pride the days when the country was producing the finest of the fabrics—'Dacca Muslin'. The texture and finesse of this material has become a legend.

After the Second World War, India slowly started manufacture of ready-made garments taking full advantage of the varieties of cotton fabrics that were being produced in the country by the composite textile mills. The real story of the emergence of the Indian ready-made garment industry, however, can be traced back to the 1940s when during the Second World War several units sprang up to meet the large defence requirements. The post-independence days witnessed a slow but steady progress in garment manufacturing in the country. The manufacturing activity has gradually changed its character over the years and become an important export-oriented industry.

The transition from the production of clothing to meet the defence requirements to that of catering for the fashion requirements was a significant one, especially in the 1980s. On the one hand, India at that time was frantically in search of non-traditional items of export and, on the other, the "Bleeding Madras", a rare variety of handloom fabrics had created a craze among the buyers in the Western countries. In the 1970s, garment exports showed good progress. Since then exports have risen at a good pace.

The garment industry in India, of course, is still in the cottage sector, mostly unorganised. There are about 3,500 garment manufacturers spread all over the country, mainly in matropolitan cities. About 3,000 of these units undertake export. The industry as a whole employs over half a million people, both skilled and unskilled

The ready-made garment

TABLE I

Exports of Garments During 1970-80

(In Rs crores)

Year	Exports	Percentage variation over the base year 1970
1970	11.51	—
1971	15.52	34.83
1972	29.32	154.73
1973	53.77	367.15
1974	95.00	725.36
1975	140.00	1116.33
1976	240.00	1985.14
1977	252.90	2097.21
1978	301.10	2515.98
1979	350.00	2940.83
1980	370.05	3115.03

Source : Compiled by the author from Handbook of Statistics on Cotton Textile Industry (Fourteenth Edition).

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industry being labour-intensive, developed countries find it more economical to meet their requirements through imports. In this context, India's garment industry could play a vital role as it has a vast potential for the export of ready-to-wear apparels. Table I shows the trend of exports of readymade garments from India during the last decade.

India's share in the global trade in garments, however continues to be small as disclosed by Table II.

As regards the direction of our garment exports, these exports are mainly concentrated on the European markets. Very recently, the USA also has emerged as a buyer. This is clear from Table III.

TABLE III

India's Garment Exports to Major Countries

(In Rs crores)

Country	1979	1980
USA	109.02	97.25
UK	59.55	52.27
West Germany	57.48	86.52
Italy	21.70	22.91
France	38.37	41.41
Sweden	5.91	10.81

Despite the rise in exports, India's garment industry has been facing a number of constraints. The primary one is the operating costs of almost all the units producing mainly for exports. The operating costs are much higher than the sales realisation. Even the most successful unit showed an operating loss of 8.6 per cent of the sales. It has been found that in our garment units, cutting, making and trimming costs are much higher than in other countries. This is in spite of the lower wage rate per worker. Besides, the prices quoted by these units are much higher—15 per cent to 20 per cent more than our competitors. The garment manufacturers must contain their costs to a competitive level when they have to compete in discriminating markets.

The growth of the garment industry is more severely hit because of the recent adoption of protectionist methods by the importing countries as a result of which more and more items are being brought under quota restrictions. There are also instances of frequent failures by Indian exporters to meet the delivery schedules. Withdrawal of institutional support by the Government, unreasonably high floor prices even for slow moving items and high frieght rates are some of the other hindrances.

The bulk of the current world trade is carried on in garments made of blended fabrics while our export capability has been mainly in garments made of cotton fabrics. In 1977-78, the share of blended fabrics garments in our total garment exports was only 2.28 per cent.

TABLE II

India's Share in World Trade in Garments

(In Rs crores)

Year	World Trade	India's Export	India's Share%
1971	6795	15.52	.22
1972	8737	29.32	.33
1973	11370	53.77	.47
1974	13500	95.00	.70
1975	14830	140.00	.94
1978	27786	301.10	1.08

Source: Compiled by the author from Handbook of Statistics on Cotton Textile Industry.

Without entering the ble
ed fabrics field we can har
expect that our share in t
worrd trade will go up a
significantly. Apart from th
the cotton fabrics availa
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looms are of light type a
suitable for upper garmen
But trousers, jeans, jacke
children's sportswear ne
fabrics of higher weight. T
problem is of getting the
mill-made fabrics of larg
widths in flawless lengths
over seventy metres and wi
uniform dying. Another diff
culty is the organisation of t
handloom sector so as t
produce regular supplies
fabrics of good quality
standard lengths in fa
colours. Weaving and dyin
faults have become a nightmar
to foreign buyers. There hav

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been frequent complaints on quality and specifications.

The growing competition from traditional suppliers of garments like Hongkong, South Korea, Taiwan, etc. is another matter of concern. Countries like Pakistan, Bangladesh and Sri Lanka have also begun offering stiff competition for almost similar type of products. A third category of countries have also started exporting garments. These are Greece, Tunisia, Egypt and Portugal, all of them enjoying substantial preferential treatment from major developed garment importing countries. Export from these new entrants may not appear large enougn presently, but the process of nibbling at the world garment trade by these countries has already started. China too is making a swift entry into the world garment market as a major supplier.

The following strategy could be considered for meeting the above challenges:

1. The immediate need is for an institution for imparting training to cutters and tailors.

2. A realistic and workable scheme for the supply of synthetic and mixed fabrics at world prices to the clothing industry ought to be introduced.

3. Diversification to other varieties needs to be encouraged from conventional shirts and blouses.

4. More duty free zones should be established to encourage exports.

5. A reasonable quota distribution policy aimed at benefiting the maximum number of exporters ought to be adopted and a revision effected in the floor prices to bring them to reasonable levels.

6. Cash incentives on export performance have to be continued.

7. The Latin American and West Asian markets can be profitably explored.

There is no doubt that with imaginative planning, our garment exports can be doubled by the end of the current decade.

TABLE IV

Composition of Cotton/Blended Garments Exports from India

(In Rs crores)

Year	Cotton	% Share to Total Exports	Blended	% Share to Total Exports
1976-77	257.10	97.92	5.45	2.08
1977-78	250.65	97.42	6.64	2.28

Source : Compiled by the author from the Handbook of Statistics on Cotton Textile Industry.

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Meeting international standards

The bulk of Hindustan Lever exports are products made by the Company—soaps and detergents, processed oils and foods, and chemicals. Hindustan Lever's insistence on the highest standards of quality and heavy investment in Research & Development, enable it to compete in international markets and win awards like the prestigious Chemexcil Trishul Trophy for the most outstanding export performance in 1980-1981. R & D also helps the Company to add value to products so they can fetch a higher price. For instance, Hindustan Lever's Research Scientists developed Covo, a cocoa-butter substitute derived from Sal, a non-traditional oil. This was refined and upgraded and is now used by chocolate manufacturers in Europe. In addition to Europe, Hindustan Lever exports go to the Middle East, Australia, the USA and USSR. Hindustan Lever is the first private sector company in India to sign a long-term protocol with the USSR.

Chemexcil Trishul Trophy awarded to Hindustan Lever for the most outstanding export performance in 1980-81

Collaborating with the small-scale sector

As a recognised Export House, Hindustan Lever has, over the years, helped several small-scale units in India to export their products. The Company prospects foreign markets through research gets information on designs and product specifications. It works with the small-scale manufacturers to make sure their products meet rigid quality control standards. And it uses its world-wide connections to help them enter markets abroad.

Recognising Hindustan Lever's performance in exports, the Government of India has designated the Company as a Trading House.

Developing India's exports is a commitment with Hindustan Lever. The Company's investment in export-oriented projects, its base in technology, its experience and marketing skills are helping it meet this national priority.

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Focus on Industry

Widening Range of Boilers

THERE ARE 16 units engaged in the manufacture of various types of boilers such as thermal power station boilers; industrial boilers; package boilers; waste heat boilers; soda recovery boilers etc. Out of the above, a few units are licensed for and are in production of thermal power station high pressure boilers with an aggregate capacity of 3500 MW. Total installed capacity is 135,520 tonnes per annum.

The past production of industrial and thermal power station boilers is indicated below (in crores of rupees) 1975-76—Rs 141.20; 1976-77—Rs 158.62; 1977-78—Rs 184.77; 1978-79—Rs 215.00.

Export of boilers (industrial and thermal station) in the past few years has been around Rs 3 to Rs 4 crores.

The Sixth Plan Working Group assessed the 1979-84 five-year requirements as under :

Utilities power station 650,000 tonnes; boilers upto 500 MW sets.

Captive power plants—30,000 tonnes; industrial boilers—60,000 tonnes; and exports—60,000 tonnes.

The year-wise requirements of boiler components to suit the power projects commissioning programme was estimated as under in tonnes):

1979-80—120,000; 1980-81—130,000; 1981-82—140,000; and 1982-83—150,000.

Considering the likely demand for both thermal as well as industrial boilers, additional capacity can be created. This could best be achieved through expansion, diversification and upgradation of existing units. There would also be a demand for waste heat boilers from the fertilizer industry for which foreign technical collaboration would be considered.

From the list of biolers manufacturers given below it may be observed that the variety of manufacture by various units is quite wide. For instance, Texmaco at its Calcutta unit has the capacity to make a wide range of boilers such as Lanchashire boilers, Cornish boilers (dished or flat ended), economic boilers with varying evaporation capacity, vertical boilers, cylinderical marine boilers, locomotive boilers, package boilers and water tube boilers. It may be mentioned that with the exception of Indian Sugar and General Engineering Corporation unit at Yamunanagar, there is no unit in Northern India. On the other hand the concentration is quite high in Maharashtra followed by South India and West Bengal.

1. M/s Acc-Vickers-Babcock Ltd, "Express Towers" 18th Floor Nariman Point, Bombay. (Unit at Burdwan in West Bengal)—Steam raising plants.

2. M/s Acc-Vickers-Babcock Ltd, Shahabad (Syahabad Works), "Express Towers", 18th Floor Nariman Point. Bombay. (unit Gulbarga, Karnataka) power, industrial & package boilers.

3. M/s Bharat Heavy Electricals Ltd, 18-20, Kasturba Gandhi Marg, Hindustan Times, New Delhi (Unit Tiruchi, Tamil Nadu). High pressure boilers for Thermal Power Stations.

(ii) Industrial, package, recovery baggage and marine boilers.

(iii) Nuclear steam Ganerating Equipment (All as per customer requirement).

4. M/s Indian Sugar & General Engg, Corp. Saharanpur, Pipli Road, Yamunanagar-135001. Unit: Yamunanagar, Haryana—(i) Waste Tube Boilers Evap & steam pressure.

(ii) Boilers for thermal power stations upto 50 MW.

(iii) High pressure boilers for thermal power stations from 60 MW to 200 MW.

5. M/s Indl. & Agricultural Engg. Co. (Bombay) Ltd, 43 Dr V.B. Gandhi Marg, Bombay. (Unit : Bhandup, Maharashtra—

(i) Fire tube boilers-Evap.

(ii) Feed water heater & similar heat exchangers.

(iii) Steam condenser (surface type) and similar heat cxchangers.

6. M/s L.A.E.C. Boilers Pvt. Ltd, 2/17-G Mount Road, Madras.

(Unit: Ranipet, Tamil Nadu)—Coal, gas & Oil fired package non-package boilers .

7. M/s K.C.P. Ltd, Ramakrishna Building 38, Mount Road, Madras.

(Unit ; Tiruvottiyur Tamil Nadu)—water tube boilers.

8. M/s Laxmi Biolers, 22-A Dr Anandrao Nair Road, Bombay.

(Ghandiwali, Maharashtra)—(i) Package Boilers Evap Cap 750-10,000 Ibs/Hr.

(ii) Vertical Boilers Steam Pressure 100-200 Psig.

(iii) Baby Boilers-Evap. Ca. 150 to 5000 ibs/Hr.

9. M/s Lipi Boilers Pvt Ltd, 16 Phtak Baug, Navi Path, Poona.

(Unit : Poona, Maharashtra)—Package modular water tube boilers upto 40 Tonnes/Hrs.

10. M/s Nestler Boilers Ltd, Dalamal Chambers, Sir V. Thackersey Road, Bombay.

(Thana, Maharashtra)—Package Boilers Horizontal & vertical 15 HP onward to 600 Hr and Steam Pressure 250-300 Psig.

11. M/s New Field Industrial Equip. Pvt. Ltd, 52 Nandesari Indl. Area, Nandesari-391340 Dist. Baroda.

(Unit : Baroda, Maharashtra)—Ejectors of different capacities & Vaccum.

12. M/s Spirax Marshall Ltd, 106th Mile Stone, Kasarwadi, Poona.

(Unit : Poona, Maharashtra)—Steam and fuel economy equipment.

13. M/s Texmaco Ltd, 506, Surya Kiran Bldg. 19, Kasturba Gandhi Marg, New Delhi.

(Calcutta West Bengal—(i) Boilers & steam generating plants.

(ii) Water Tube Boilers-Evap. Ca. upto 75000 Ibs/Hr. Steam Pressure-400 Psig.

14. M/s Themax (India) Pvt. Ltd ; P.O. Chinchwad, Poona-11018—Boilers for solid and multifuel firing for waste heat.

15. M/s Walchandnagar Industries Ltd, Construction House, Walchand Hirachand Marg, Ballard Estate, Bombay-400038—(i) water tube boilers Evap. Ca. 35.000 Lbs./Hr. and Steam Pressure 225-250 Psig.

(ii) Water Tube Boilers using waste fibrous materials like baggasse etc. and waste residual fuel oil, inferior coal etc.

16. M/s Water Work Engg. Ltd, 50, Yulcan Insurance Bldg. Veer Nariman Road, Bombay-400020—Package Boilers.

STATE OF THE ECONOMY

Progress in Electronics

THE PERFORMANCE of the electronics industry during the calendar year 1981 was poor compared to previous year. While in terms of production, 1981 registered an output worth Rs 8,569 million against Rs 8,060 million in 1980, the growth rate was comparatively low.

According to the annual report of the Department of Electronics for 1981-82, during 1981, the production of electronics registered a growth of 6.2 per cent against a record growth of 24.7 per cent achieved during 1980. In 1979, production of electronics was placed around Rs 6,465 million against Rs 8,060 million in 1980.

The decline in growth rate of production during 1981, the report says, can be attributed to strikes and labour problems in many of the public and private sector concerns. While the public sector units like ITI, BEL and ECIL had prolonged strikes during the first quarter of 1981, which is normally the period of maximum production in these units, other units had some labour problems during different periods of the year.

This resulted in substantial loss of production. Compared to 1980, the production of major public sector units, namely, ITI, BEL and ECIL decreased by about Rs 500 million in 1981. If production of these units was excluded from that of 1980 and 1981, a net growth of 18 per cent in production could be seen in 1981, the report explains.

The production of consumer electronics items during 1981 was worth Rs 2.460 million against Rs 2.140 million in the previous year. Almost the entire growth was due to significant increase in the production in the small sector. An important feature of the growth was the uptrend in the output of radio receivers to 6.53 million pieces against 5.81 million in 1980. The output of TV receivers was about 0.435 million pieces against 0.370 million in the previous year.

The tape recorder industry showed a 60 per cent rise in terms of numbers during 1981. However, some of the items like record players and PA systems did not show any growth owing to a lack of demand. Assembly of electronic watches and clocks also started in many units.

The computer control and instrumentation sector achieved production level of Rs 1,885 million against Rs 1,600 million in 1980 and Rs 1,310 million in 1979—thus registering an overall growth of 17.8 per cent during the year. In terms of value, the production of these items grew from Rs 205 million in 1980 to Rs 270 million in 1981.

All other sectors like control instruments, test and measuring instruments, power electronic equipment, medical electronic equipment registered good growth during the year. The production of these items went up from Rs 1,305 million in 1980 to Rs 1,580 million in 1981 showing a growth of 19.5 per cent.

Simplified Export Documents

The Indian Institute of Foreign Trade (IIFT) has underlined the need for adopting an "aligned documentation system" with a view to eliminating the cumbersome procedures involved in preparing export documents.

The system involves the use of standardised trade documents which are also aligned in relation to one another. All the documents under this system are prepared on the same size of paper, i.e., A-4. measuring 297x210 mm with standard margins—10 mm top, 20 mm left, 6 mm right and 7 mm bottom.

According to the institute, the documents which are aligned in relation to one another could be reproduced from a master document to the extent of common information by employing a suitable masking and reproduction technique.

The institute, which conducted a comprehensive study on the simplification and standardisation of export documents, has examined the documents from the stand point of their essentiality in the total documentation framework. It has made some practical suggestions for the consideration of concerned trade and Government interests.

The study reveals that notwithstanding the inevitability of most of the export documents, both official and commercial, our export documentation framework has much to emulate from recent developments in office systems and methods. This is necessary to cope up with the increasin requirements and pressures o trade and transport.

It recommends the adoption of aligned documentatio system embodying a numbe of simplified and standardise documents. This is couple with the suggestions for a number of simplified an rationalised documents, particularly for the grant of expor incentives.

The institute points out tha although the essential expor documents are not many i number, the problems confronted by exporters and othe concerned agencies at dife rent stages of export operations, are due to the fact tha all these documents have bee developed in isolation wit little regard to their relationship *inter se*.

Port Development Plans

The Shipping and Transpor Ministry has failed to fulf financial and physical target of port development durin the successive Plan period Revealing this, the Estimate Committee in its 32nd repor states that instead of comin down, the shortfall has rise from 27 per cent up to the en of Fifth Plan to 41 per cer

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in the first year of the current plan period.

This proved that even now the Ministry has not been able to gear itself to fulfil the expected development tasks.

Even during 1981-82, the Ministry is not hopeful of utilising its outlay of Rs 10.0 crore fully and it expects to spend only Rs 90 crore.

Whatever be the reasons, the report says, capacity delayed is capacity lost as it results in adverse effect on development in such a vital transport sector.

The committee has urged the Ministry to analyse the reasons for its dismal performance in the past and resort to conclusive measures without any delay to ensure that Plan targets are achieved in full and on schedule at least in future.

The report says that it is unfortunate in the development of major ports, the Ministry has never, since the beginning of First Plan, been able to utilise the Plan outlays fully.

During the period between the First and the Fifth Plan, there was a shortfall of the order of Rs 353.71 crores equivalent to 27 per cent of the outlay.

Improvement of Airports

An outlay of Rs 13.9 crore has been earmarked in the annual plan 1982-83 for strengthening of airports.

The runway and associated pavements at Gauhati airport will be strengthened to make it fit for Airbus operations during the current financial year.

Airports at Ahmedabad, Agartala, Jammu and Mohanbari are also scheduled to be made fit for Boeing 737 operations in 1982-83.

The works in progress such as extension or modification of terminal building at Aurangabad, Bhubaneshwar, Chandigarh, Gauhati, mohal, Jamnagar and Rajkot are scheduled to be completed during 1982-83.

The other important works which may be completed during the year are technical block at Bangalore and operational wall at Bhavnagar, and construction of new technical blocks-cum-control towers at Ahmedabad, Behala, Bhubneshwar, Gauhati, Imphal, Jabalpur, Ranchi, Srinagar, Trivandrum and Visakhapatnam. Extension and modification of terminal buildings at Agartala, Imphal, and Patna are expected to make substanial progress in 1982-83. Work on new terminal buildings at Ranchi, Trivandrum (international wing) and Vizag will be speeded during the year.

French Know-how for Telephones

India's first electronic telephone switching equipment factory will be set up at Hosur Road in Karnataka

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with French know-how and credit. The Union Cabinet took the decision to accept the French offer at its meeting recently preferring the collaboration offers made by world's leading telecommunication equipment manufacturers in response to a global tender floated last year.

The Government is setting up a new public sector unit, likely to be called Hindustan Telecommunications Industries Limited, for the purpose with a capacity of manufacturing 500,000 lines every year. It is expected to be commissioned in the next couple of years. A second factory for a similar capacity will also be set up later.

Besides giving a credit of $ 250 to $ 300 million, the French offer envisages supply of 200,000 lines as finished equipment.

The Government's decision to set up a new company for undertaking electronic equipment manufacture is bound to upset the Indian Telephone Industries Limited (ITI), ITI had been urging the Ministry to permit it manufacture electronic equipment also in its own complex.

Lignite-based Power Plants

India will have two more thermal power plants based on lignite—one in Bikaner district of Rajasthan and another in Kutch district of Gujarat. The Central Electricity Authority (CEA) has given clearance for both these projects.

The CEA has recommended to the Government simultaneous sanction of the Palna lignite thermal plant and the Palna mining project to ensure availability of lignite in the requisite time frame.

The Rajasthan Electricity Board (REB) has initiated action for acquiring land for Palna lignite thermal plant, which will have a total capacity of 120 MW.

The proved lignite deposits in Bikaner district are estimated to be 24 million tonnes, which may be adequate to sustain a thermal power station of 120 MW for 25 years.

The Gujarat Electricity Board is putting up a 120 MW thermal power station based on lignite deposits in Kutch district. It has already placed orders with Bharat Heavy Electricals Limited (BHEL) for supply of two sets of 60 MW each lignite fired boilers.

More than 200 million tonnes of lignite deposits have been estimated in Kutch district, out of which 95 million tonnes are in Lakhpat taluka of the district.

Meanwhile, the Neyveli Lignite Corporation which is operating the first lignite-based thermal station in Tamil Nadu has prepared a project report for expansion of the station from 630 MW to 1470 MW. The total cost of this expansion project is estimated at Rs 405 crores. The project report is now under consideration of the Government.

Bhima Irrigation Project

The cost of the Bhima Irrigation Project (Ujjani component) was estimated at Rs 177.78 crores when the project was posed to the World Bank. But as per latest estimates of the Maharashtra Government, the revised cost would now come to Rs 185 crore.

According to information supplied by the State Government to the Public Accounts Committee of the Maharashtra Legislative Assembly, the project is now receiving loan assistance in the form of reimbursement of expenditure from October 11, 1979 to September 30, 1984. During the appraisal of the project the World Bank had put certain pre-conditions. According to these pre-conditions, the entire canal system up to 8 hectares is to be lined for reduction of seepage losses and this has resulted into a change in the scope of the project.

The World Bank stipulated certain schedule of implementation according to which the construction programme is planned. During the spot study visit of the committee it was revealed that the field channel lining is a major activity to be started this year, that is, in 1982, and according to the World Bank schedule, lining in an area of about 5000 hectares has to be carried out this year. The length of the canal in this area will be about 12 kms. It was further revealed to the Public Accounts Committee that the question of providing lining of field channels needs to be reexamined as it would be very costly, that is, about Rs 50 to Rs 65 per metre as against Rs 15 per metre assumed in the World Bank appraisal report and it would also consume a lot of cement which is very scarce now-a-days.

Sulphur from Coal

Indian scientists have achieved a breakthrough in the removal of organic sulphur from Assam coals by bacterial means opening new vistas in the commercial utilisation of sulphurous coals.

Sulphurous coals contain pyritic, sulphate and organic sulphur. While the first two types of sulphur have been extracted with the help of bacteria there is no known method to remove organic sulphur by bacteria.

However, researchers from three institutes have investigated the possibility of removing organic sulphur by treating a coal sample with a mixed bacterial culture. Work is in progress for optimisation of conditions for the increased removal of organic sulphur.

The project entitled "Preliminary survey of the potentiality of desulphurisation of Assam coals" was sponsored by the Central Mine Planning and Design Institute, Ranchi. Researchers from the Bose Institute, Calcutta, Central Fuel Research Institute, Dhanbad and the Indian School of Mines (ISM), Dhanbad took part in the project.

Social Security Certificats

The Central Government has written to the States to launch a vigorous drive fo popularising the Socia Security Certificates for accelerated economic growth

The scheme which will b

BUYERS GUIDE FOR ELECTRONIC INDUSTR

Small Industries Service Institute (Govt. of India) Ahmedabad compiling the addresses of manufacturers and reputed deale for various inputs required by the electronic industry. The inpu include fabrication machinery, testing and measuring instruments, packing material, raw materials, parts and component hand tools, jigs, and fixtures etc. etc.

The manufacturers and reputed dealers who are interested inclusion of their name in the 'Buyers Guide' may please se details like complete address and the products handled to:

SHRI S.M. AHUJA
DEPUTY DIRECTOR, (ELECTRONICS)
SMALL INDUSTRIES SERVICE INSTITUTE
(Government of India)
HARSIDDH CHAMBERS, ASHRAM ROAD
AHMEDABAD - 380 014

The above information should reach SISI Ahmedabad by 15.6.

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implemented through post offices in the country will be officially launched by the Finance Minister, Mr Pranab Kumar Mukherjee, in New Delhi and by Chief Ministers in their respective State capitals on June 1.

The Deputy Finance Minister, Mr Janardhana Poojary, in his letter addressed to the Chief Ministers and Lieutenant Governors of Union Territories drew their attention to the fact that the new savings instrument in the form of Social Security Certificates was specially designed for persons of small means, both in the rural and urban areas and it is expected to prove attractive, especially in areas, where the insurance industry had not yet penetrated to the desired extent.

The deposits under the scheme, he pointed out would augment the small savings colections and benefit the State Governments in the form of arger loans from the Centre.

The novelty of the scheme ies in that the investments will provide social security for the family or dependents of the investor, besides giving a handsome return. The cerificates will be available in denominations of Rs 500 and Rs 1,000 and anyone between he ages of 18 and 45 can invest upto Rs 5,000 and this investment will triple in 10 years.

Human Story Award

Mrs. Prabha Dutt, Chief Reporters of the *Hindustan Times* has been chosen for he half-yearly award to Delhi journalists instituted by *Media India* quarterly journal devoted to mass communicaion. Mrs Dutt has won the ward for the best human nterest story, non-political, published during the second half of 1981. In her award winning story, Mrs. Prabha Dutt detailed the woes of women cheated with the temptation of money, married and later left in the lurch by uncrupulous young men. The arlier award had gone to Mrs Usha Rai of the *Times of India* for her investigative piece on education. The award is to be presented at a function in New Delhi in the last week of May 1982.

Meet on Industrial Indiscipline

A highly successful three-day course was organised in New Delhi recently by the National Labour Law Association on "the roots of industrial indiscipline and its legal and extra-legal remedies". Senior executives from important private and public sector enterprises attended it. The faculty consisted of the level executives from industry, senior advocates, eminent trade union leaders and experts in industrial relation. Prof N.B. Chatterjee, formally Joint secretary, Ministry of Labour and now a Senior Professor, Indian Institute of Management, Calcutta was the programme director.

Mr Dharam Vira, former Governor of West Bengal and Karnataka, made some telling points while inaugurating the course. The disturbed industrial relations situation, which causes indiscipline, according to him, was often the emergence of multiple and competitive trade unionism at the plant level. In his view, outsiders should have no place in trade union leadership an : irresponsible leadership without any stake in the industry would encourage even violence in achieving its ends. He regretted that long delays occurred in the settling disputes and urged that Government should lay down a time-bound procedure for the purpose. He also laid stress on workers, getting a fair share out of the gains of productivity. But without discipline, increased production he emphasised was unthinkable. For superior performance management should encourage and welcome workers paricipation. Very often workers are not taken into confidence and remain ignorant about the real financial position of an undertaking and hence make unreasonable demands.

Topics like environmental and internal causes of discipline, managerial responsibility for erecting conditions for discipline, employees' behaviour importance of effective communication of a company's norms of behaviour, the legal framework for disciplinary action and for domestic enquiry and the various managerial options other than legal action for dealing with individual and group indiscipline among the subjects discussed. A number of real life situations were studied in depth.

The newly established National Labour Law Association, which is headed by Dr Nagendra Singh, Judge, International Court of Justice, Hague, and has Mr S.C. Gupta former ChiefL abour Commissioner of Government of India as its Chief Executive, has planned a series of such programmes and is expnding its activities towards research and publication in the area of industrial relations and related fields. The membership of the association is broad-based and is drawn from entrepreneurs, business executives, legal practitioners, civil servants specialising in labour laws, academics and management consultants.

State Loans

The Government of India has announced the issue of the following three loans aggregating Rs 450 crores: (i) 7.25 per cent Loan, 1992 to be issued at Rs 100.00 per cent and repayable at par on 24th May 1992. (ii) 7.75 per cent. Loan, 2002 to be issued at Rs 100.00 per cent, and repayable at par on 24th May 2002. (iii) 9.00 per cent Loan, 2013 to be issued at Rs 100.00 per cent and repayable at par on 24th May 2013.

Subscriptions will be received only on May 24, 1982 upto the close of Banking hours. In the event of a holiday being declared by any State Government under the Negotiable Instruments Act, 1881 on that day, the subscriptions will be accepted at the concerned receiving offices in that State upto

OVER THE YEARS

Over the years we have been
creating, developing and implementing
excellent new ideas in banking.

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Branches, Gobar Gas Projects, Farm Clinics,
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but we are not satisfied.

We have to do much more.

Help us mobilise resources for national
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SYNDICATE BANK
Dedicated to the needs of the nation.

the close of Banking hours on the following working day. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount of Rs 450 crores. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the loans on a proportionate basis and the balance refunded in cash as soon as possible. Interest on all the above mentioned three loans will be paid half-yearly on 24th November and 24th May.

Interest on the loans now issued together with interest on other previous Government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs 6000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in Government Securities and other investments specified in Section 5 of the Wealth-tax Act will also be exempt from the Wealth-tax upto Rs 1,65,000.

Names in the News

Mr N. Vittal, IAS has taken over as Managing Director of Gujarat Narmada Valley Fertilizers Company Limited (GNFC), Bharuch. Mr Vittal was the Development Commissioner in Kandla Free Trade Zone for 3 years and Industries Commissioner of Gujarat for 3 years. Before joining Gujarat Narmada Valley Fertilizers Company Limited Mr Vittal was also Secretary to the Government of Gujarat in Health and Family Welfare Department.

Mr. S. N. Vittal

Dr K.K.S. Chauhan joined Indian Farmers Fertiliser Cooperative Limited (IFFCO) as the Marketing Director on May 3, 1982. Dr Chauhan, who was formerly working as Zonal Manager with the Food Corporation of India, South Zone, has held a number of senior positions and is associated with many professional bodies and Government of India Expert Committees.

Dr. Chauhan

Mr George Daniel, President and Chief Executive of Hoechst Pharmaceuticals Ltd, has been elected President of the Organisation of Pharmaceutical Producers of India (OPPI) for the year 1982-83. **Mr M.R. Hosangady**, Managing Director of May & Baker India Ltd., and **Mr R.N. Langrana**, Chairman & Managing Director of Abbott Laboratories (India) Ltd, have been elected Vice-Presidents.

Mr Daniel, 49, is a professional manager with many years of experience in the pharmaceutical industry at the marketing and general management levels. A science graduate of Madras University and Fellow of the British Institute of Management, he underwent training in business management in several national and international management schools, including the Administrative Staff College of India, Hyderabad; International Management Institute, Geneva and Sundridge Park, United Kingdom.

Mr. George Daniel

Readers' Roundtable

Mrs Gandhi and Marxists

Sir, Mrs. Gandhi's remarks in Malda (West Bengal), during her election campaign, that 'only in a communist State was there one party rule and not in a democracy' should be taken as a welcome change and correct analysis by our Prime Minister.

In fact, every communist State has only one party rule and no opposition party is permitted to exist. Trade unions are not permitted to function and even the peace movements are banned.

The CPI-CPM alliance in West Bengal is trying to keep out Mrs Gandhi and her party from that State. In the name of left unity, the Communists are trying to unify. Being militant they have not only killed 25 Congress-I workers during the election campaign, but 18 Anand Margis also, which has brought shame to us from the civilised world.

It is not surprising that none of the CPI/CPM leaders have denounced the violence in West Bengal or even the killing of Congress-I workers and the Anand Margis. What is more, Soviet Union and other socialist countries which are watching the mini-election in India and extending moral boost to the Left alliance have not so far condemned the violence by their comrades in West Bengal.

The mouthpiece of CPSU *New Times* published from Moscow in its issue of April 1982 No. 14 has branded the Communist Party of India as 'Militant Vanguard'.

Our Prime Minister deserves congratulations for her tracing the history of the Communist Party and describing them as anti-nationals. The children in the CPM-ruled West Bengal are being taught—as charged by Mrs Gandhi—about the leaders of other countries like Marx, Stalin, Lenin, Ho Chi Minh, Castro etc. It is surprising that our Prime Minister has been keeping quiet for all these years and tolerating this kind of education to our children, of Red leaders, who are known for their violent ideology.

Aligarh

Yours sincerely,
J.G. Tiwari

Credit relaxation to road transport necessary to contain inflationary forces and enhance employment opportunities

Speech by Mr. R.J. Shahaney, Chairman
Ashok Leyland Limited
at the thirty-third Annual General Meeting
on April 29, 1982

HIGHLIGHTS

- **Sales increased by 28% to Rs. 298 crores**
- **Profit after tax rose by 19% to Rs. 15.05 crores**
- **Production crossed 15000 vehicles**
- **Dividend 20%**
- **Production commenced at Bhandara Plant**
- **Rs. 33 crores invested in new facilities**
- **Foreign exchange requirements for expansion ensured**
- **Well co-ordinated programme for increasing production—training and promotion of ancillaries—well under way**
- **R & D focusses on fuel saving, efficiency, reliability, safety, comfort**
- **New two-axle tractor for container transport under development**
- **Award for Outstanding Achievement from the National Institution of Quality Assurance**
- **Award for outstanding contribution to ancillarisation**

Ladies and Gentlemen,

I am very happy to extend to all of ou a warm welcome to the thirty-third Annual General Meeting of your Company. The Report of the Directors and he audited Accounts for the year ended 1st December 1981 have been circulaed and, with your permission, I shall ake them as read.

eview of Operations

1981 has been a year of considerable hallenges. It is gratifying to report to ou that inspite of the tremendous strains on the resources of the Company, both managerial and financial, we have been able to achieve a very high level of performance. Sales at Rs. 298 crores recorded an impressive increase of 28% over 1980. Total production of vehicles was 15031, an increase of 16% over 1980. Profit after tax was higher by 19% and reached Rs. 1505 lakhs. The Company has already paid an interim dividend of 8% and the Directors have now recommended a final dividend of 12%, subject to tax, making a total of 20% for the year. Looking back at our operational performance during 1981, all of us can derive some satisfaction that the results were achieved despite several problems in operations. Due to acute power shortage during the first quarter of the year, availability of materials from suppliers was badly affected. Thereafter there was a prolonged closure of one of our principal suppliers of forgings and, to maintain our production schedules, we had to resort to import and even air-lift of certain forgings with attendant cost penalties. This apart, our production was affected by three months closure of the Hosur Plant where we were constrained to resort to a 'lock-out' due to unfortunate and ill-conceived action on the part of a small section of the employees resulting in some violence and damage to the Company's property. The situation has, however, now returned to normal and I am glad that there is evidence of a greater understanding today, on the part of the employees, of the need to sustain and improve production and productivity in their own long-term interest and that of the Company.

Expansion Programme

The year also witnessed substantial progress in our expansion plans, which I had referred to in my address last year. The Company has received an Industrial Licence for an increase in annual capacity by 27,500 vehicles utilising the facilities being set up at Bhandara in Maharashtra and Alwar in Rajasthan in addition to the existing Plants at Ennore and Hosur. I am particularly happy that our progress at Bhandara has been very rapid. Whilst our Plant at Hosur went on stream within nine months of starting construction work on a greenfield site, we have made even more rapid progress at Bhandara where within seven months of commencement of work at site we started rolling out vehicles assembled locally. The Alwar Plant is slightly behind schedule due to our contractors being unable to mobilise adequate manpower. We expect, however, to commence assembly activities at Alwar by June this year.

Nearly Rs 33 crores have been invested during the year in creating additional facilities in all the four locations to achieve the co-ordinated programme of development that will help us in increasing our production to the target of 40,000 vehicles by 1987. This programme calls for a massive investment of Rs. 270 crores, including a foreign exchange component of Rs. 56 crores for the import of essential plant and machinery. It is a reflection of the confidence of the Financial Institutions in your Company that we have been able to negotiate lines of credit for this amount from the International Finance Corporation, Washington, to the extent of US $ 28 million and from Grindlays Bank, London, for 21 million pounds sterling under an export credit guarantee scheme.

The momentum generated in expanding production facilities and in achieving higher levels of production needs to be sustained at continuously higher levels. In order to ensure that the benefits of investments in new facilities contribute substantially in augmenting internal resources for development, a co-ordinated programme of increasing production in the new plants, training and development of skilled manpower and promotion of ancillaries has been taken up. Together with this, the accent on increased production and productivity would clearly help in our achieving the long-term goals, without creating undue strain on our financial resources. Developments during the last few months in the economic environment have, however, caused us some concern. Unfortunately, in the process of achieving growth, the programmes and policies of the Government and financial institutions in particular, have thrown up certain contradictions, placing an extra burden and strain in managing our operations.

During the latter part of 1981, the Reserve Bank of India, in an attempt to control the rate of credit expansion, undertook certain measures which resulted in across-the-board cuts in credit to vital sectors of the economy. While we appreciate the basic compulsions in credit management to serve the overall objective of achieving growth with price stability, it is difficult to find logic in such drastic reduction of credit, leading to almost total stoppage in the flow of funds to vital sectors like transport. Traditionally, given the structure of the road transport industry in which more than 80% of the truck operators are single vehicle owners, credit programmes had been rightly designed to support the absorption of production and the use of increased capacity available to accelerate the process of economic development. With the credit curbs imposed and a severe reduction in refinancing by institutions like IDBI, there has been a visible slackening in the off-take of vehicles. While there has been no perceptible fall in demand, the inability to get credit in time has contributed to this unfortunate situation.

The road transportation sector, apart from serving the basic needs of the economy in accelerating the process of production and development, has also been the biggest contributor to employment and in generating resources to Government for its various programmes. Various studies undertaken from time to time have clearly established that the road transport sector gives the highest employment in relation to the funds deployed.

Delay in the absorption of increased production in the economic system, leading to accumulation of inventories in the commercial vehicle sector, has unfortunately come at a time when the Government have accorded highest priority for increasing productivity and production. We are concerned that at a time when several economic indicators are favourable to a major thrust towards higher rate of growth in the economy, institutional measures have contributed to the slowing down of the addition to the facilities for this vital sector. We have made several representations to the Government and I hope that policy measures will be undertaken and announced quickly that would set the industry back on even keel.

Having said that, I do not think that this temporary difficult situation should deter us from planning for the future. As I mentioned, the harmonious growth of the transport sector with other productive sectors of the economy is vital for achieving the National objectives of accelerated growth with social justice. All available evidence points to another good year of agricultural production and significant increase in industrial production activity. The increasing emphasis by the Government on programmes for development of the rural and backward areas and the gradual integration of the production system must make larger demands on the transportation systems.

In an economy in which capital resources have to be carefully allocated, the development of roads and road transportation should and must receive very high priority. My own view, therefore, of your Company's business situation continues to be optimistic and I am confident that inspite of the temporary period of concern, your Company's programmes for expansion, with emphasis on product development contributing to greater economy in transport, are well-conceived and sound. The products the Company manufactures are of very high quality; the assets that are now utilised in such manufacture are good and the technological competence in managing these assets is of a very high order. These strengths of your Company, coupled with our success in ancillarisation and development of supportive production facilities, together with the National economy that is poised for significant growth, are the main ingredients of my optimism.

Research & Development

The R & D activities of your Company continue to be focussed on fuel saving, haulage of heavier loads at lower operational costs, reduced road damage, reliability, safety, improved driver comfort and better passenger comfort. The development of an integral bus with technical assistance from Leyland Vehicles, UK, to cater to the increasing demand for passenger vehicles for high density areas has been taken up on a priority basis. Lower floor height for better passenger mobility, and rear mounted engine that reduces noise and heat inside the vehicle, are some of the features of this bus. Prototypes are now with some State Transport Undertakings for trials.

One of the notable achievements in 1981 was the commercial production of India's first multiaxled vehicle—the Taurus—designed for higher payloads and better operating economy. Due to limited fiscal resources, the strengthening of roads and bridges to facilitate movement of higher axle load vehicles has received a lower National priority and we had, therefore, to design a vehicle able to carry a higher payload without increasing axle loads. The Taurus has been designed specifically to meet this need. It can also lay claim to be the first vehicle fitted with a turbo-charged engine—the combination of higher payload capacity and a turbo-charged engine has set new standards in fuel savings. In line with this philosophy of developing vehicles to suit the existing operating environment, we have now taken in hand the development of a two-axled tractor chassis, which used with a tandem-axle trailer, will help in carrying higher pay loads over gradients normally encountered on Indian highways. This vehicle is now in an advanced stage of development and should prov particularly ideal for handling containers

A new engine primarily intended fo passenger vehicle applications givin higher standards of fuel economy is als in an advanced stage of developmen and I am happy to inform you that th preliminary results have been very encouraging.

The ultimate test of our success i product design and engineering is th quality of the vehicles produced. Our vell-developed and comprehensive quality issurance system has won recognition or its excellence. You will be glad to know hat we were the recipients of the 1981 Award for Outstanding Achievement rom the National Institution of Quaity Assurance. I am sure, you will join ne in recording our appreciation of the xcellent team work of our employees, ngineers and technicians.

ncillary Development

We have recognized that our ability o sustain quality production at increasngly higher volumes depends on the ealthy growth of our ancillary suppliers. he close and mutually supportive relaionship we have built has helped us ncrease threefold in the last three years, he voloume of supplies from ancillaies, particularly from those in the Small cale Sector. Assistance in material suply, technological support, managerial dvice and quality guidance have helped ost of them reach high levels of relibility and technological excellence.

This is essential for broad basing entrereneurship and production and to achiee the National objective of integrated evelopment of large and small indusies. We are proud to have received reently the Award for outstanding contriution to ancillarisation from the Tamil adu Small Scale Industries Associaon.

Our programmes at the new sites, handara and Alwar, continue to emhasise this philosophy. We are workg closely with the Governments of aharashtra and Rajasthan and their evelopment institutions in promoting e establishment of competent ancillary nits in the two backward districts. The ccess of this programme is vital for the cal population to reap the full benefits of industrialisation. The contribution of these pioneering efforts to long-term development of these regions has to be sustained by accelerated investments in infrastructural facilities in housing, education, medical and other social needs. We have impressed upon the Governments of Maharashtra and Rajasthan the need for adequate public investment in these facilities and we hope that priority would be accorded to such investment.

Outlook for 1982

As I said earlier, despite the present difficulties, which necessarily must be short lived, I am optimistic in regard to the future and firmly believe that we must not slacken our efforts to increase our own strengths and further improve our performance. Your company has in the past demonstrated resilience in the face of difficult situations and, I have no doubt, would adequately respond to the challenges that we face during 1982. We have set for ourselves very ambitious targets and we are gearing our resources to the achievement of these targets. I am confident that given the necessary policy support by the Government, and the dedication of our own employees, we will achieve our targets.

Directors

Mr R.A. Fryars and Mr N. Subrahmanyam retire by rotation and are eligible for re-appointment, Mr Fryars is, however, not seeking re-appointment, and will be retiring from the Board after this meeting. I wish to take this opportunity of recording our deep gratitude to Mr Fryars for the unfailing assistance and co-operation we have received from him during his association with your Company. Indeed although Mr Fryars may no longer be a member of the Board, we hope to continue to receive his advice and assistance even in the future.

In the place of Mr Fryars, it is proposed to appoint Mr J. Davidson as a Director of the Company. Mr Davidson is Product Development Director, Leyland Vehicles Limited. I shall be welcoming him to the Board after this meeting, and look forward to his long and fruitful association with your Company.

Acknowledgements

In conclusion, it is once again my privilege to place on record our gratitude to the various organisations and institutions which have continued to extend wholehearted co-operation and assistance. BL Limited and Leyland Vehicles Limited have, in spite of pre-occupation with their own domestic problems, given us all support, and on behalf of all of you, I tender to them our sincere gratitude.

In the context of our multi-divisional operations we have received valuable assistance from the Government of India and the State Governments of Tamil Nadu, Maharashtra and Rajasthan. We are thankful to them for their sympathetic handling of our problems and requests. The present expansion phase of our operations requires continued and increased dealings with Financial Institutions and Banks: we are grateful to them for the help rendered and look forward to their continued support, without which our plans cannot bear fruition.

Our employees have had yet another year of unremitting effort: they have cheerfully faced and surmounted all challenges and problems which came their way. But for their efforts we would not have been able to achieve the results we did in 1981. On behalf of all of you, I extend to them my gratitude.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

ANNOUNCEMENT

From June 1982 *Eastern Economist* will be brought out on every Sunday instead of on Friday as at present. This shift in the day of publication has been made to overcome certain postal difficulties we are facing at present and, in turn, will ensure delivery of the copies covering all major events of the week. Patrons and all concerned are requested to make note of this shift in the publication day of *Eastern Economist*.

CHIEF EXECUTIVE

COMPANY MEETING

MODI RUBBER LIMITED

Shri K. N. Modi

Speech delivered by

Mr. K. N. Modi, Chairman and Managing Director, at the 11th Annual General Meeting of Modi Rubber Limited held at Modinagar on Friday, April 30, 1982.

Highlights

1. Production reached 9.21 lakh tyres and sales have increased to over Rs. 201.63 crores. The profit for the current year is Rs 579.25 lakhs.
2. Board of Directors recommend a dividend of 20 per cent on equity shares as against 18 per cent last year.
3. New 20-point programme announced by the Prime Minister lays emphasis on productivity. 1982 has been declared as the 'productivity year'.
4. Full benefits of several changes made in the industrial policy will be felt in the coming years. Licensing policy underwent desirable changes in recent years. Notification of April 21, 1982 allows extra 33.3 per cent capacity over the best production during the last five years over and above 25 per cent excess production. The said measures will create conditions for augmenting production.
5. System of allowing depreciation on historical cost basis should be substituted by allowing it on current/replacement costs. Alternatively, higher rates of depreciation may be allowed. This subject is of great importance and it should receive early attention.
6. The pragmatic Industrial Policy should be supplemented by reduction in corporate and personal taxes.
7. Continuing stringent monetary policy will be harmful and inhibit production of essential goods. Relaxation is necessary to give some relief to corporate sector.
8. Recent announcement increasing interest for non-convertible debentures and allowing redemption at a premium is a step in the right direction.
9. Prices of raw materials are increasing year after year and there is a further spurt during the last few weeks. The stability of prices of tyres mainly depends on the prices of raw materials.
10. Necessary approvals for implementing the radial tyre project should be accorded early in view of its long term importance. This will help increasing competitiveness in the world markets, thus leading to export promotion.
11. After obtaining requisite approvals the transfer of management of Bombay Tyres was effected in December 1981 and Firestone tyre is now a Modi product.
12. Modi Group proposes to promote various important industries such as Cement, Xerographic System and Caustic Soda etc.

Friends,

I am very happy to extend to you all a very warm and hearty welcome to the Eleventh Annual General Meeting of your Company.

WORKING RESULTS

The Annual Report and the Accounts of your Company for the period ended October 31, 1981 have been in your hands for some time now and with your permission I shall take them as read.

Your Company has an excellent growth record. In a short span of seven years, the production has registered an increase from 2.71 lakh tyres in 1975 to 9.21 lakhs in 1981 and sales during the same period have increased from Rs 30.06 crores to over Rs 201.63 crores.

Your Company has been able to continuously achieve better productivity through an increase in number of working days by working round the clock throughout the year and by introducing four shifts in selective areas through technological innovations, higher operational efficiency, improvement in manpower, better preventive maintenance and harmonious labour relations. The increase in sale is a result of consistent emphasis on quality, better product mix, effective salesmanship and increase in the dealer network.

The profit for the current year is Rs. 579.25 lakhs as compared to Rs 506.22 lakhs during 1979-80. In spite of providing Rs. 152 lakhs more towards depreciation and investment allowance reserve and Rs. 292 lakhs as provision for excise on calender fabric and dip solution over the last year.

The current year's working continues to be satisfactory and in the first four months the turnover was higher by 25 per cent compared to the same period of the last year.

DIVIDEND

The Board of Directors have been pleased to recommend a dividend of 20% on equity shares as against 18% last year even though the capit
base of the Company has i
creased during the year due
conversion of loans into equit
The proposed dividend w
absorb Rs 191.07 lakhs. Loo
ing to the future needs of t
Company a sum of Rs. 3
lakhs was transferred
General Reserve.

PRODUCTIVITY

The new 20-point program
announced by the Prime Mi

ster lays emphasis on productivity throughout the entire economic spectrum. The year 1982 has been declared as the productivity year. The growth in industrial production during the year 1981-82 is expected to be around 8% compared to 4% in 1980-81 and a negative growth of 1.4% in 1979-80. The encouraging performance in 1981-82 in a large number of important industries augurs well for future development of the country.

The country is expected to mount an intensive drive to maximise utilisation of capacities available in all sections of he economy. A major task will be to ensure a reasonable growth rate in industry, agriculture and infrastructure. Steps hould be taken to increase production by improving infrastructural facilities. The rospects for the industry vould depend largely on increasing productivity and reducing costs.

EW INDUSTRIAL POLICY

The full benefits of several hanges made in the industrial olicy will be felt in the coming ears. Encouraging trends have so been evidenced from the lue of Capial Goods Clear- ce. The import trade control licy announced recently aims incentives towards higher oduction with a measure of sirable liberalisation of im- rts.

The licensing policy has also dergone desirable changes in recent years. The policy nounced in July, 1980 re- gnised additional capacity hieved by the industrial units specific industries. Further omatic growth of 5 per cent annum over a period of five rs achieved in one or more ges has also been allowed. s policy has been further, ralised in the Notification April 21, 1982 whereby the vernment have decided to w extra 33.3 per cent acity over the best produc- during the last five years and above 25 per cent ss production. Further, the of core sector industries in endix I of the industrial sing has been widened by ng five more areas.

rsuant to the policy announced in July,1980 the installed capacity of your Company has been recognised as 7.64 lakhs numbers of tyres and tubes per annum. Further, we will be availing the benefits of liberalisation of industrial policy as mentioned above.

I welcome the said measures as they will create conditions for augmenting production.

CHANGE IN PRESENT DEPRECIATION SYSTEM

With ever increasing prices the replacement cost of plant and machinery will be very much higher than the cost of earlier assets to be replaced. The system of allowing depreciation on historical cost basis should be substituted by allowing depreciation on current/replacement costs. Alternatively higher rates of depreciation may be allowed which may exceed the cost of plant and machinery presently in use. Such a step will enable the Industries to generate sufficient funds for modernising their plant thereby increasing their competitiveness in the international market. This subject is of great importance to the industrial sector and I hope it will receive early attention.

NEED TO REDUCE CORPORATE AND PERSONAL TAXES

The levels of corporate and personal taxes in India are comparatively higher than those in advanced countries. Hence, there is need for reducing the same. Lower corporate taxes will increase the availability of internally generated funds for investment and downward revision in personal taxes will increase the investible funds for productive purposes. I hope the pragmatic industrial policy will be supplemented by reduction in the corporate and personal taxes.

INVESTMENT BY NON-RESIDENT INDIANS

The remittances from non-resident Indians and foreigners of Indian origin have emerged as an important source of foreign exchange in recent years. The remittance could be further increased if net yield from the investment in India is made comparable to that available abroad and foreign exchange regulations are liberalised. It is gratifying to note that a move has been made in the present Budget in this direction.

RATIONALISATION OF CREDIT BY BANKS

Corporate sector is facing acute shortage of funds by tightness of credit policy. Borrowers are finding it difficult to get the required amount of working capital for their current production programmes. The object of the credit planning is to ensure that the available funds are optimally allocated consistent with the need to contain the inflationary pressures in the economy. A continuing stringent monetary policy for any length of time will be harmful and inhibit production and availability of essential goods in the required quantities. Relaxation of the SLR and CRR requirements refinance facilities etc. are very necessary to give the industrial sector some relief. If rationalisation is introduced, more funds would be available to the corporate sector.

NEED FOR DEVELOPING SECONDARY MARKET FOR DEBENTURES

Due to the resource constraints experienced by the financial institutions and Banks the need for mobilising public savings in the corporate sector has arisen. It is heartening to note that during the previous year debentures occupied the primary position in the approvals given by the Controller of Capital Issues. The recent announcement increasing interest rate from 13.5 per cent to 15 per cent for non-convertible debentures and allowing redemption at a premium of five per cent is a step in the right direction and will lead to development of an adequate secondary market.

EXCISE DUTY CONCESSION

In my last year's speech I suggested that excise rebate should be production-oriented so that there may be full and better utilisation of machinery and manpower. I am happy to note that the Government of India has announced a scheme of excise duty concession for increased production of goods during a period of 12 months from March 1, 1982 to February 28, 1983. The scheme would cover cases where the production in that period exceeds 110 per cent of the production during the year ended February 28, 1982. In the "year of productivity" this scheme giving an impetus to production is a welcome feature. The duty concession, in our case, would be one-tenth of the excise duty payable. A detailed scheme is yet to be announced and we hope to avail the benefits thereof.

RAW MATERIALS

I have been apprising you during the last three years of the shortage of natural rubber in the country due to demand far exceeding indigenous production. While imports have been arranged by the Government of India from time to time to bridge the gap between demand and supply, the delay in imported supplies materialising through the canalising agency has been detrimental to the keeping of the price of locally produced natural rubber at reasonable levels. Direct imports with appropriate duty exemption would remedy the supply and price situation and ensure availability at reasonable prices.

The yield of locally produced natural rubber is low compared to that in the neighbouring countries viz. Sri Lanka, Malaysia, Thailand and Indonesia. To increase the yield per hectare your Company has taken up a Rubber Development Project. The project has made notable progress towards achieving its objective of doubling the yield of rubber in small holdings. The increase in yield of the order of 150 to 200% has been demonstrated to the growers. The additional production of rubber as a result of our activities has been of the order of more than 300 tonnes.

I had earlier stressed the need for new plantations to be established in Andaman and Nicobar Islands, Tripura and in the Konkan where the climate is suitable for rubber growing. I am glad that the Rubber Board, Ministry of Commerce has taken steps to augment rubber production in Tripura by launching a massive campaign. This compaign should be intensified in all areas where the potential exists for growing rubber.

The prices of raw materials are increasing year after year and there is a further spurt during the last few weeks. The stability of the prices of tyres and tubes mainly depends on the prices of raw materials.

MARKETING

During the last two years we have established 14 additional depots and today we have 41 depots at various focal points in the country. This policy is in conformity with our motto to serve the consumers better. The Institute of Marketing and Management awarded to your Company the 198 1IMM Escorts Silver Medal for consumer welfare. The Company has also an inhouse training centre for providing requisite training to its sales and after-sales service staff. This was very popular and last year 88 persons were trained and received certificates of participation.

The Company concentrated efforts on the truck tyres segment in the replacement market and as per the latest figures of Automotive Tyre Manufacturers' Association, your Company is the leader in truck tyres sales in this segment. The Company has been able to make inroads into the export markets such as U. S. S. R., Ghana, U. K., U. S. A., Afghanistan, Mauritius and Bangladesh. The Company has also started supplies to our Defence Services.

RESEARCH AND DEVELOPMENT

As you are aware your Company has a full fledged Research and Development Laboratory recognised by the Government of India, Department of Science and Technology. As a result of sustained activities in our research and development organisation new patterns and sizes of tyres have been developed to suit the Indian roads, climate and load bearing conditions. The facilities are being further strengthened to develop new sizes and patterns of tyres to cater to the increasing demand for new models of vehicles as also different varieties of tyres. Efforts are being made to make it self-sufficient and at par with such departments in advanced countries.

LETTERS OF INTENT

As reported earlier the Company has received Letters of Intent from the Government of India for manufacture of the following items :

Item of Manufacture	Annual Capacity for Expansion
Tractor and ADV tyres and tubes	125,000
Off-the-road tyres and tubes	30,000
Aircraft tyres and tubes	20,000
Scooter, Motorcycle and Moped tyres and tubes	400,000

For implementation of these Letters of Intent, a financing scheme is being formulated in consultation with term lending institutions.

ALL STEEL RADIAL TRUCK TYRES

We have made progress in our project for the development and manufacture of all steel radial truck tyres. We have already completed road test on three lots of tyres recived from our technical collaborators. The Company has applied to the Government of India seeking approval for acquiring the latest and sophisticated technology leading to modernisation. This will help to increase its competitiveness in world market thus leading to export promotion. It is hoped that the necessary approvals for implementing this project will be accorded at an early date in view of its long term importance to the country. It will be particularly helpful in overall economy in fuel consumption.

INVESTMENT IN BOMBAY TYRES INTERNATIONAL LIMITED

Members will be pleased to note that the company has acquired 15,75,000 equity shares of Rs 10/- each from Firestone Tire & Rubber Company, U.S.A., being 35% of the present paid-up capital of Bombay Tyres International Limited. The company has a licensed capacity of 11 lakh tyres and tubes. Within the next two or three months the entire share capital of the company will be held by Indian residents.

After obtaining requisite approvals the transfer of management was effected on December 21, 1981 and Firestone tyre is now a Modi product. Within a short period of four months sales and production have improved considerably. Steps are being taken to modernise the plant expeditiously. An application has been submitted to the Government of India seeking approval to enter into technical collaboration with Messrs Continental Gummi Werke, A. G., West Germany.

DIVERSIFICATION

Consistent with our policy of involvement in the industrial development of the country, the Modi Group proposes to promote various important industries such as cement, xerographic systems, caustic soda etc. as detailed delow :

Cement

Since the last meeting several basic approvals viz. technical collaboration with Messrs Blue Circle Industries Ltd. of United Kingdom, capital goods clearance, mining lease etc. have been received. Applications have been submitted to financial institutions (including International Finace Corporation, Washington, D. C.) seeking financial assistance for implementation of this project which is in advanced stage of preparation for launching. A separate company in the name of Modi Cement Limited is being incorporated shortly to implement this project expeditiously.

Xerographic Systems

Your Company is also proposing to invest in Indian Xerographic Systems Private Limited for establishing and operating a 100 per cent export oriented unit in Bombay for the manufacture of Xerographic Systems in collaboration with Rank Xerox Limited of U.K. The Company has received requisite Government approvals for implementing this project. It is hoped that this will be one of the prestigious export units in the country. It is expected that the investment will give good return.

Caustic Soda

A new company named Modi Alkalies & Chemicals Limited has been incorporated for undertaking a Caustic Soda project at Alwar in the State of Rajasthan. Necessary approvals have been obtained from the Central Government and the project is in advanced stag of implementation. The Company proposes to invest Rs 150 lakhs in the equity capita of that company which is expected to yield good results.

Others

The Company is looking fo investment in overseas markets

STAFF WELFARE

Welfare of the employees ha always been a top priority fo the House of Modis. The Company is keen to provide residential accommodation to al its officers and workers. Keepi ing this objective in view a residential colony of over 80 houses has been built at Modipuram and the colony at Modinagar consisting of 84 house is in advanced stage of completion. We have started construction of 384 houses for industrial workers at Modipuram and we propose to construc another 400 houses shortly A shopping-cum-recreationa complex for the workers ha also been planned. The Company has entered into an agreement with a trust to run a Higher Secondary School a Modipuram.

ACKNOWLEDGEMENTS

The results achieved by you Company have been made possible by the harmonious labour-management relations and the strenuous efforts put in by workers, staff and officers a all levels. I am thankful to them for their dedicated work. I am also greatful to my colleagues on the Board, the financial institutions and banks fo their valuable guidance and assistance and to our collaborators, Messrs Continenta Gummi Werke A.G. for thei technical assistance.

Thanks are also due to ou dealers and customers who ar the backbone of any industry I assure them that they wi continue to get the best products and the best service fro your Company.

In the end on behalf of th Board, I take this opportunit of expressing my sincere thank to our esteemed shareholde for the confidence reposed i the management.

Note: This does not purpo to be a record of the procee ings of the Annual Gener meeting.

COMPANY AFFAIRS

Diversification Plans by Zenith Steel

ZENITH STEEL Pipes and Industries is planning to further diversify its activities in a big way by undertaking cement, aluminium foil and paper projects.

The company already holds a letter of intent for setting up a cement project with a capacity of five lakh tonnes a year in Rajasthan. The management, however, proposes to change the location of the project to Andhra Pradesh in view of the acute shortage of power and transport and nadequate infrastructure in Rajasthan.

Disclosing this, the company's Chairman, Mr Ashok Birla, told newsmen that the company also proposed to go in for a larger cement project with a capacity of one million tonnes with latest technology in the field. The project would cost about Rs 90 crore. The company has approached the Government for a change in the location as well as for doubling of the installed capacity, and that the management was hopeful of the Government's approval for such a project.

The company also proposes to set up a project to manufacture aluminium foils for capacitors. The project would cost about Rs 12 crores.

The capacity of the paper project, which is expected to be commissioned shortly, is also being expanded to about 30,000 tonnes from the present installed capacity of 19,800 tonnes. The first phase of the project will have a capacity of about 10,000 tonnes and will cost Rs 7 crore.

The company is also setting up Rs 2 crore project for the manufacture of beta naphthol with a capacity of 1,000 tonnes a year.

Mr Birla has said that the company proposes to diversify in several other lines, but it will shortly identify the fields and approach the authorites for necessary approvals.

The company's steel pipes unit at Khopoli is being modernised at a cost of nearly Rs 5 crore, which will lead to an increase in the capacity by about 30 per cent. Its mini-steel unit, which currently produces 100 per cent alloy steels, is set to produce stainless steel and other high grade products.

Joint Venture

Its Indonesian joint venture is expected to be commissioned by the end of the current year and would yield an annual dividend of about 20 per cent in the next couple of years.

Mr Birla has estimated that the company's turnover from its existing lines and paper project would cross Rs 100-crore mark in the next two years against the actual sales of Rs 70 crore during the year ended April 1980 and Rs 53 crores in 1980-81. He has visualised good prospects for the company in view of its continuous expansion and diversification plans. The company's gross profit, which has increased from Rs 47.60 lakh in 1966-67 to Rs 3.25 crore in 1980-81 is expected to show a steady rise in coming years.

The company is issuing four lakh convertible debentures of Rs 120 each at par to augment its working capital needs and partly finance the modernisation programme. The debentures carry rights to subscribe for two equity shares of the company of Rs 10 each at Rs 15 per share within one year from the date of allotment. As the terms of the issue are attractive, namely, rights to acquire two shares at Rs 15 each against the current market price of about Rs 48 per share, within a very short period of year, the response to the company's issue is expected to be good.

Mahindra Ugine Steps Up Dividend

Mahindra Ugine has reported improved results for 1981. Its gross profit has increased to Rs 10.15 crore from Rs 6.62 crore for the previous year. Its sales have increased to Rs 70.45 crore from Rs 49.22 crore, a rise of 43 per cent.

The Directors have proposed to step up the equity dividend to 20 per cent from 18 per cent paid for 1980.

The company's net profit amounts to Rs 7.10 crore against Rs 3.52 crore after providing Rs 3.05 crore (Rs 3.10 crore) for depreciation. As in the previous year the company does not expect any tax liability for 1981. The proposed dividend has claimed Rs 1.48 crore.

The substantial increase in sales as well as profit is mainly due to the optimum utilisation of the plant capacity. The company's sales in the first four months have been placed lower at Rs 17.38 crore against Rs 20.75 crore in the corresponding period of 1981.

Dunlop India

Dunlop India is planning to gradually move to a non-FERA position to improve its long-term prospects.

The company's board has been discussing its long-term financial programme with its major shareholders, Dunlop Holdings Limited, as well as with the Indian Government which would lead to a non-FERA status for the company.

Dunlop UK brought the first pneumatic tyre to India in 1898 and established the country's first tyre factory in 1936.

The Indian shareholding in the company has been steadily increased to 49.9 per cent without any pressure from any quarter, the management states.

Chemicals and Fibres

Chemicals and Fibres of India has shown encouraging performance for the first half of 1981-82. Its sales during the six month period ended March 1982 have amounted to Rs 33.98 crore against Rs 22.38 crore in the corresponding period of the previous year and Rs 65.61 crore for the whole of 1980-81.

Its pre-tax profit for the first half of 1981-82 is placed at Rs 1.52 crore against a loss of Rs 1.13 crore for the corresponding period of 1980-81. After providing Rs 65 lakh (Rs 60 lakh) for depreciation and Rs 98 lakh for taxation, the company's net profit for the first half of 1981-82 amounts to Rs 55 lakh against Rs 77 lakh for the whole of 1980-81.

Indian Sewing Machine

Indian Sewing Machine Company, which made a public issue of shares last year, has shown encouraging results for 1981. The Directors have proposed an equity dividend of 10 per cent on the increased capital of Rs 2 crore with new shareholders participating for full dividend for the year 1981.

The company's pre tax profits have increased to Rs 1.06 crore from Rs 66.16 lakh for 1980. The Directors hope that the company will be able to maintain its improved profitability in the current year.

Hind Matches Ltd

Hind Matches Ltd, Sivakasi, has launched carbonised matches in the Bombay market which are fully free from fire hazards. The matches are packed in boxes with hi-heat spot side friction enhancing the strike quality. The packaging technology has been developed by India Tobacco Ltd.

The head composition of the matches is totally moisture proof and the inner trays enable smoth sliding of the matches. The matches are launched simultaneously in Maharashtra, Gujarat, Rajasthan, Andhra Pradesh, Karnataka and Delhi.

The Hind Matches group currently produces 80,000 bundles of matches monthly at 16 units, employing over 8,000 workers. The turnover of the group, in 1982, is expected to be Rs 9 crore. The group's excise duty outgo is put at Rs 2.50 crore annually. The group has specialised in matches used in defence and marine sectors. It is a pioneer in the manufacture of cardboard matches in India for which it received the IMM-BATA gold award in February 1980.

Victor Cables to Enter Market

Victor Cables Limited, is entering the capital market on May 24, 1982 with a public issue of 487,000 equity shares of Rs 10 each at par. The company is setting up a unit for manufacture of PVC Power Cables at Faridabad industrial belt. It will have an initial installed capacity of 2,000 KM per annum and involves a capital outlay of Rs 242 lakhs. The unit is being set up by Mr B.K. Gupta, a well known industrialist with over two decades experience in the cable industry. Term loans aggegating to Rs 157 lakhs have been sanctioned by IFCI & ICICI and a major portion has already been disbursed by them to the company.

The management of the company is in extremely sound hands with Mr B.K. Gupta as the Managing Director, who has to his credit training at Enfield Cables Ltd, UK. Other eminent people on the Board are Mr. C.K. Hazari (Joint Managing Director of Escorts Ltd), Mr Jagdish Kapur (Executive Director of Atlas Cycles) and Mr N.S. Agal (Chartered Accountant).

The power sector has been accorded the highest priority by the Government in the Plan periods. Power generation capacity is expected to increase by almost 63 per cent and 53 per cent respectively in the Fifth and Sixth Five Year Plans. As such, the demand for power cables is expected to show a continued rising trend due to massive power plans. In order implement the power plans speedily, high priority is accorded in the Prime Minister's 20 point programme. An analysis based on the power plans indicate that there will be a substantial shortfall in the installed capacity vis-a-vis the future requirements for power cables during this decade.

The project has reached the final stage of implementati and is expected to be stream by June, 1982. Inves ment in the shares of Vict Cables will be eligible f various tax benefits under th Income Tax Act, 1961 unde Sectious 80CC, 80L, 80MN etc. They will also be eligib for exemption under th Wealth Tax Act, 1957.

In view of the sound manag

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ment of the company; near completion of the project and bright future prospects of the industry, the investors can look forward to attractive gains from the company.

Pratap Rajasthan

Pratap Rajasthan Copper Foils and Laminates Limited is issuing 16,10,000 equity shares of Rs 10 each for cash at par to the public. The subscription list will open on Wednesday, the June 9, 1982 and will close on June 19, 1982. The earliest closing date is June 11, 1982. The object of the issue is to raise a part of the finance required for setting up a project for the manufacture of electroformed copper foils and copper clad laminates.

The project, located on the outskirts of Jaipur city in Rajasthan, envisages setting up a plant to manufacture annually 660,000 square metres of thin copper foils and 335,000 square metres of copper clad phenolic base laminates. There are only five manufacturers of electroformed copper foils in the world today and this will be the sixth. The technology for the manufacture of electroformed copper foils is a closely guarded secret. After a global search the company has entered into a collaboration with Messrs Kombinat VEB Lokomotivbau Elektrotechnische Werke ('LEW') who will supply complete technical and process knowhow. The copper foil generation and after treatment plant has been supplied by LEW. The impregnation plant is supplied by Messrs Vits Machinenbau GmbH, West Germany, the world leaders in this line. Messrs G. Siempelkamp & Co, West Germany is supplying the hydraulic high pressure multi-daylight press which will ensure conformity with the rigid specifications required for electronic grade laminates, high productivity and smooth operation.

The cost of the project is estimated at Rs 1,025 lakhs and is proposed to be financed by share capital of Rs 340 lakhs, term loans from financial institutions and banks Rs 463 lakhs and suppliers' credit of Rs 222 lakhs. The deferred credit facility has been provided by the foreign collaborators at very favourable terms.

The company has been promoted ointly by Rajasthan State Industrial Development and Investment Corporation Limited (RIICO) and Partap Steel Rolling Mills Private Limited (PSRM). RIICO is a Government of Rajasthan undertaking responsible for development of medium and large scale industries and has been very successful in rapid industrialisation of the State.

The company is managed by the Board of Directors which include eminent personalities in the field of management, technology and finance. The day to day management is looked after by Mr P.C. Maheshwari, Managing Director, who has 20 years' experience in setting up projects and has been responsible for the growth and diversification of the Partap Group, He is being assisted by a team of professional managers. A number of technical personnel have undergone training at the works of foreign collaborators.

Bank of Baroda

Bank of Baroda recorded all-round progress in its operations during 1981. Its global deposits reached a level of Rs 3711 crores, registering a growth rate of 23 per cent. Advances of the bank increasby Rs 384 crores to Rs 2055 crores, showing a growth rate of 23 per cent. Priority sector advances accounted for 37.5 per cent of bank's total advances in India. The net profits increased by Rs 34 lakhs to Rs 625 crores. Owned funds of the bank were augmented by Rs 464 crores to Rs 2814 crores through ploughback of operating surpluses. It opened 120 new branches during the year taking the total number of branches to 1669, including 58 offices abroad.

The bank occupies top position amongst the nationalised banks in India in terms of global deposits, capital funds net profits and the overseas branch network. In March 1982, the Government of India contributed an additional sum of Rs 4 crores towards the capital of the bank, thereby raising the paid up capital further to Rs 14 crores and total capital funds to Rs 32.14 crores.

Highlighting the performance of the bank with sectorwise details, Mr Y.V. Sivaramakrishnayya, Chairman and Managing Director, said that the global deposits of the bank increased by Rs 695 crores to Rs 3711 crores during the year, registering a growth rate of 23 per cent over the previous year. Deposits in India during 1981 increased by 18.1 per cent as compared to the average growth rate of 17.7 per cent for the banking industry as a whole. The number of deposit accounts in India rose by over 700,000 to 68 lakhs. Deposits of overseas branches of the bank increased by Rs 251 crores to Rs 810 crores registering a growth rate of 44.9 per cent.

During the year, the bank opened 120 branhes in India taking the total number of branches to 1669 inclusive of 58 overseas offices located in 13 countries. Of the 120 branches opened in India, 94 were in rural areas, 8 in semi-urban areas and the remaining 18 in the urban and metropolitan areas. Out of the 1611 branches in India, 1118 branches i.e. 69.4 per cent are in rural and semi-ruban areas.

GOVERNMENT OF INDIA

7.25 PER CENT. LOAN, 1992 TO BE ISSUED AT RS. 100.00 PER CENT. AND REPAYABLE AT PAR ON 24TH MAY 1992.

7.75 PER CENT. LOAN, 2002 TO BE ISSUED AT RS. 100.00 PER CENT. AND REPAYABLE AT PAR ON 24TH MAY 2002.

9.00 PER CENT. LOAN, 2013 TO BE ISSUED AT RS· 100.00 PER CENT. AND REPAYABLE AT PAR ON 24TH MAY 2013.

Subscriptions to the above loans will be received simultaneously in the form of cash/cheque and will be limited to a total of Rs 450 crores. Government reserve the right to retain subscriptions upto ten per cent. in excess of the notified amount.

2. Subscriptions will be received only on the 24th May 1982 upto the close of Banking hours. In the event of a holiday being declared under the Negotiable Instruments Act. 1881 on that day by any State Government, the subscriptions will be accepted at the concerned receiving offices in that State upto the close of Banking hours on the following working day.

3. If the total subscriptions received for the loans exceed the notified amount plus the amount of ten per cent. retainable as aforesaid, partial allotment will be made in respect of the loans on a proportionate basis and the balance refunded in cash as soon as possible.

4. Interest on all the above mentioned loans will be paid half-yearly on 24th November and 24th May.

5. Applications for the new loans will be received at :

(a) Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Jaipur, Kanpur, Madras, Nagpur, New Delhi and Patna.

and

(b) Branches of the State Bank of India at all places in India except at (a) above.

6. Securities will be issued in the form of Promissory Notes or Stock Certificates.

7. For any further clarification, please apply to any of the offices or branches mentioned in paragraph 5 above.

Thus the bank continued to pursue vigorously the policy of extending its services to the unbanked and underbanked areas. In addition to its own branch network, the bank has majority shareholding and management interest in two commercial banks in India and one bank abroad. It also has an associate Deposit Taking Company (DTC) in Hong Kong.

Warner-Hindustan

Mr K.H. Bhabha, Chairman, Warner-Hindustan Ltd, stated at the annual general meeting of the company recently that the year 1981 was beset with a number of problems. There were acute shortages of a number of key raw and packaging materials throughout the year. There was total non-availability of alcohol during the first four months of the year. The factory at Hyderabad faced acute water shortage. Even after the monsoon, the quality of the water is still unsatisfactory. Efforts are being made to obtain higher quantity of water from Government sources, he added.

The cost escalations continued unabated during the year. There was complete apathy on the part of the Government in fixing realistic prices for controlled category of pharmaceutical products as a result of which the cost increases were not compensated. The performance of the company viewed against this background of shortages, constraints and escalating costs is really commendable. While the sales increased from Rs 17.10 crores to Rs 19.24 crores, the net profits after taxes but before investment allowance and prior year adjustments increased from Rs 68.45 lakhs to Rs 74.85 lakhs. The profits available for appropriation have, however, increased from Rs 77.60 lakhs to Rs 77.35 lakhs after taking credit for prior year tax adjustments. The company's exports have reached an all time high of Rs 52.65 lakhs against Rs 14.92 lakhs during the previous year.

The] results of the 1st quarter of 1982 show that the company has started the year well with good growth in sales and profits and barring unforeseen circumstances, 1982 results will be better than 1981. During the year, an interim dividend of 14 per cent was paid to the shareholders on November 3, 1981, and the Directors have now recommended a final dividend of 9 per cent making a total 23 per cent for the year.

Bombay Tyres

The Firestone Tyre and Rubber Company of USA is offering for sale 495,000 equity shares of Rs 10 each at par in Bombay Tyres International to the public on May 25. The issue is fully underwritten. The current market price of the share is Rs 13.

Out of the total offer of sale of Rs 33.30 lakh shares Modi Rubber has taken up 15.75 lakh shares and institutions 6.75 lakh shares. The employees have been offered 225,000 shares and the existing shareholders 360,000 shares. The balance 495,000 shares of Rs 49.50 lakh are now being offered to the public.

Mr B.K. Modi, Vice-Chairman of Bombay Tyres International, has told newsmen in New Delhi recently that the company's performance in recent months is quite encouraging. In the January-March quarter, production has increased by 21 per cent and sales by 13 per cent over the corresponding period of the previous year. The turnover in the current year ending October 31, 1982, is expected to be over Rs 100 crore as against Rs 62 crore in 1980-81. Thus will rise to Rs 160 crore in 1982-83, Rs 220 crore in 1983-84 and Rs 250 crore in 1984-85.

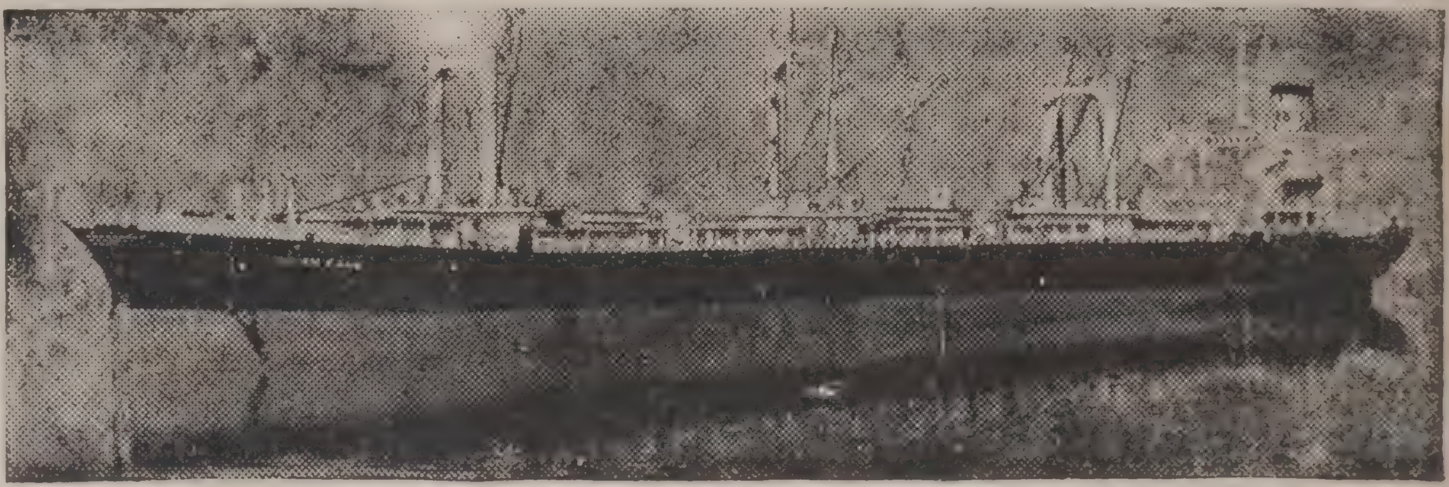
Mr Modi stated that the company has planned a Rs 50 crore modernisation programme. For this purpose, it has entered into a technical collaboration agreement with Continental Gummi-Werke of West Germany which is awaiting Government approval.

Best and Crompton

Addressing a news conference at Madras recently, Mr M.K. Kumar, Chairman and Managing, Director Best and Crompton Engineering Limited disclosed that the company had made excellent progress for the year ending December 31, 1981. Claiming that new records were established in respect of turnover and profits, with higher output of different products and expanding activities in other directions as well as realising better selling prices, he said that the turnover had risen by 23 per cent to Rs 54.42 crores from Rs 44.25 crores,

As for profits Mr Kumar announced that gross profit before depreciation and interest charges also improved to Rs 4.3 crores from Rs 3.19 crores previously. After providing Rs 1.47 crores towards interest charges, depreciation Rs 69 lakhs, investment allowance Rs 31 lakhs and taxation Rs 70 lakhs the net profit stood at Rs 1.46 crores against Rs 1.01 previously. This has enabled the company to declare a dividend of 22½ per cent taxable against 20 per cent taxable previously. Mr Kumar further informed that the newly issued shares will be entitled to a proportionate dividend of 2.25 per cent taxable.

Mr Kumar further informed that the enlarged equity capital is Rs 2.25 crores whereas reserves and surplus including the latest propriates amounted to Rs 5.87 crores. This clearly indicated the scope for an early bonus issue.



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This Week

May 19

India favoured a "freeze on nuclear weapons" consisting of two inseparable elements, namely, a complete cessation of the manufacture of nuclear weapons and a cut-off in the production of fissionable materials for weapon purposes.

With a view to raising $30 million (about Rs 28 crores) from the Euro-currency market the Bank of Baroda issued floating rate notes (FRNs) for the first time.

India signed an agreement with the Soviet Union for importing 2.5 million tonnes of crude for the current year.

May 20

The Indian rupee became dearer by 10 paise against the pound sterling following its upvaluation by 0.60 per cent fixing the middle rate at Rs 16.75 per pound.

The Jammu and Kashmir Government had apprised the Union Home Ministry of the Bill for Resettlement of Permanent Residents of the State now settled in Pakistan as far back as in August last.

May 21

British 'raiding parties' landed on the Falkland Islands overnight, and 21 servicemen were presumed dead or killed accidentally, the UK Defence Ministry reported.

The pound sterling became cheaper by five paise following upvaluation of the rupee by the Reserve Bank of India (RBI) by 0.30 per cent. RBI has fixed the middle rate of Rs 16.70 against the earlier 16.75 per pound.

May 22

Some 2,500 British troops bolstered their bridgehead on the Falkland Islands only 80 km from the main 4,500 strong Argentine troop concentration.

The official wholesale price index for all commodities base 1970-71 rose marginally for the second successive week and stood at 275.5 points during the week ended May 8.

Prime Minister Indira Gandhi will pay State visits to the United States in July and to the Soviet Union in September, it was officially announced.

May 23

The Union Cabinet has sanctioned the construction of a new port at Nhava-Sheva, across Bombay harbour.

Lured by the promise of fiscal incentives available in backward areas, several city-based textile mills, reeling under labour unrest and high cost of production, are understood to be examining the feasibility of shifting out of Bombay, lock stock and barrel.

May 24

A 19-member United Democratic Front Ministry headed by Congress(I) leader K. K. Karunakaran assumed office in Kerala, ending the 67-day-old President's rule in the State.

Mr Ram Lal, who headed the caretaker Government after the dissolution of the House last month, was sworn in as Chief Minister of Himachal Pradesh.

The pound sterling became costlier by 10 paise following the devaluation of the rupee by 0.6 per cent. RBI has fixed the middle rate at Rs 16.80 against the earlier Rs 16.70 per pound.

May 25

The index of industrial production dropped by 7.1 per cent to 165.9 in February 1982 from 178.6 in the previous month.

The Export-Import Bank of India (Exim) has introduced a new scheme for financing exports of technology and consultancy services.

eastern
ECONOMIST

The Poll and After

So THE mini general election is over. About 50 million voters were to exercise franchise in various parts of the country to constitute new legislatures in four States and return seven members of Parliament and over a dozen members to some other State legislatures through by-elections. Belying the Cassandras, the poll has been remarkably peaceful. Incidents of violence have been just a few. Reports of booth-capturing have been conspicuous by their absence. This is an eloquent testimony to the fact that the Indian electorate shuns violence—a fact that augurs well for the future of democracy in the country.

The election results too have not sprung any surprises. By and large, they have been on the expected lines: the deviations from expectations have been only minor. The CPI (M)-led United Front was anticipated to recapture power in West Bengal. It has done so with greater majority than in the previous legislature. But, very significantly, the Congress(I) has captured half of the seats in Calcutta and along with its allies, improved upon its position by winning 54 seates in a house of 294. The Left Front, apparently, has consolidated its hold on the rural areas and has won 238 seats: the remaining two seats have gone to others. The Congress (I)-led United Democratic Front has secured absolute majority (77 in a house of 140) in Kerala. The CPI(M)-led Leftist Democratic Front there had to remain content with only 63 seats. The UDF has strengthened its position since the 1980 election.

Both in Haryana and Himachal Pradesh, however, absolute majority has eluded the main contenders with the result that independents have emerged as the balancing factor. In a house of 90, in Haryana, where re-poll is to take place in some segments of one constituency, the Congress(I) has been able to win 36 seats and the other main contender, the Lok Dal and the Bhartiya Janata Party combine, 37 seats. Of the remaining 17 seats, twelve have gone to independents, three to the Congress led by Mr Jagjivan Ram and one to the Janata Party. In Himachal, where the strength of the house is 68, the Congress(I) has secured 31 seats, the BJP 29, independents six and the Janata Party two. The race between the main contenders in these two States was generally expected to be close, although the Lok Dal-BJP combination in Haryana and the BJP in Himachal Pradesh had claimed that they would be able to wrest power from the Congress(I) and the Congress(I) had expected that it would be comfortably able to defeat the Lok Dal and the BJP challenge.

The outcome of the seven by-elections to Parliament ha been that only three of these seats (two in Rajasthan and on in Bihar) have been retained by the Congress(I). The BJP ha been able to retain the Thane seat in Maharashtra and wres the Jabalpur seat from the Congress(I) in Madhya Pradesh The Diamond Harbour seat has been retained by the CPI(M and the more prestigious Garhwal seat in Uttar Pradesh by M H.N. Bahuguna, who had relinquished it over a year ago afte resigning from the Congress(I). The by-elections to the othe State legislatures have thrown up mixed trends.

In sum, the hold of the Congress(I) appears to be loosening. The extent of the erosion in the Congress vote will be revealed only by a detailed analysis of the votes cast. Ostensibly it has suffered major reverses which are not fully compensated by its improved performance in West Bengal and Kerala. The Congress(I) there has gained markedly at the expense of the Janata Party. The voters have shown remarkable maturity by defeating a number ,of Ministers in Haryana and West Bengal. The Haryana verdict has been clearly against defectors. In West Bengal, Dr Ashok Mitra, Finance Minister in the previous CPI(M) Government, too has been defeated. The return of several Congressmen and members of the BJP, who had been denied party tickets in Haryana and Himachal, as independents in the new legislatures can be construed as an indication of a candidate's personality counting significantly with the electorate. Mr Bahuguna's victory too is, by and large, personal, though he received good support from the opposition parties.

The process of ministry-making after the election has been quite smooth in West Bengal, Kerala and Himachal. In West Bengal, the leader of the CPI (M), Mr Jyoti Basu, has resumed the reins of Government. In Kerala, Mr K. Karunakaran heads the Ministry as the leader of the victorious UDF. Mr Ram Lal has again taken over as Chief Minister in Himachal by virtue of the Congress (I) emerging as the largest single party there. But in Haryana, Mr Bhajan Lal has been sworn in as the Chief Minister on consideration similar to that in Himachal Pradesh, even though the pre-election declared alliance between the Lok Dal and the BJP has excelled the Congress (I) record and its leader, Mr Devi Lal, had been invited by the State Governor, Mr G.D. Tapase, to produce his supporters before him on Monday to facilitate a decision. Yet, before Mr Devi

Lal could do so, Mr Bhajan Lal was entrusted with the reins of the State after hurried consultations on Sunday.

This has created a serious situation in Haryana. Mr Devi Lal did rally around himself a majority of the new legislators and presented them to the Governor. But this proved to be of no consequence. Mr Tapase has taken the plea that he called upon Mr Bhajan Lal to form the ministry, despite Mr Bhajan Lal providing him with a list of only 42 or 44 of his supporters in consonance with precedents. The leaders of the major opposition parties have represented to the President, Mr Sanjeeva Reddy, against this violation of the Constitution, pointing out that a minority Government had been foisted on Haryana, even without waiting for Mr Devi Lal to comply with the directive of the Governor to prove his strength. It has also been pointed out that the criterion of the leader of the largest single party deserving to become the Chief Minister did not hold good in Haryana's case for the Lok Dal-BJP combination had been announced well before the poll was held and this combination did secure more seats than the Congress (I). The case of UDF in Kerala as well has been cited in this regard, for the CPI(M) has secured six more seats there than the 20 won by the Congress (I). It has been further stressed that Mr Bhajan Lal was sworn in even prior to notification of the new legislature by the Election Commission. At the time of writing, however, Mr Bhajan Lal continues to be the Chief Minister with a directive from Governor Tapase that he should prove his majority on the floor of the legislature by June 30. The Congress (I) High Command has asked Mr Bhajan Lal to hold the session of the legislature well before this dead-line. Meanwhile, the Lok Dal has decided to hold rallies in the State on Saturday to protest against the wrong done to it and democratic norms. Whatever the ultimate outcome, Mr Tapase apparently has acted in great haste. He has only encouraged horse trading in the State which has proverbially come to be known as the State of Aya Rams and Gaya Rams.

It appears that while a stable Government will run its full tenure in West Bengal, the three other States—Kerala, Haryana and Himachal—are set for political instability. The UDF in Kerala contains in it heterogeneous elements. In both Haryana and Himachal, a couple of defections from one side to another can bring down Governments. It will not be surprising if these three States have to go in for a mid-term poll in none-too-distant a future.

Consultancy Exports

THE STEADY and significant increase in exports of consultancy services since the mid-1970s not only reflects the strides that we are taking on the road to industrialisation but also the growing acceptance of our capabilities for assisting the Third World nations. These exports by last year are estimated to have gone up to around Rs 30 crores from just about 1.25 crores in 1974-75. They have provided good impetus to exports of industrial equipment and machinery, even though they followed equipment exports, instead of the reverse global phenomenon. Equipment exports now account for about 30 per cent of our total engineering goods exports around Rs 1,200 crores a year, as against about 10 per cent only a few years ago. As many as 125 joint ventures have already been completed by the Indian concerns abroad—an overwhelming proportion of them in the neighbouring countries of Africa, West Asia, South Asia and South-east Asia, a couple of them in Latin America and a few in the developed countries as well.

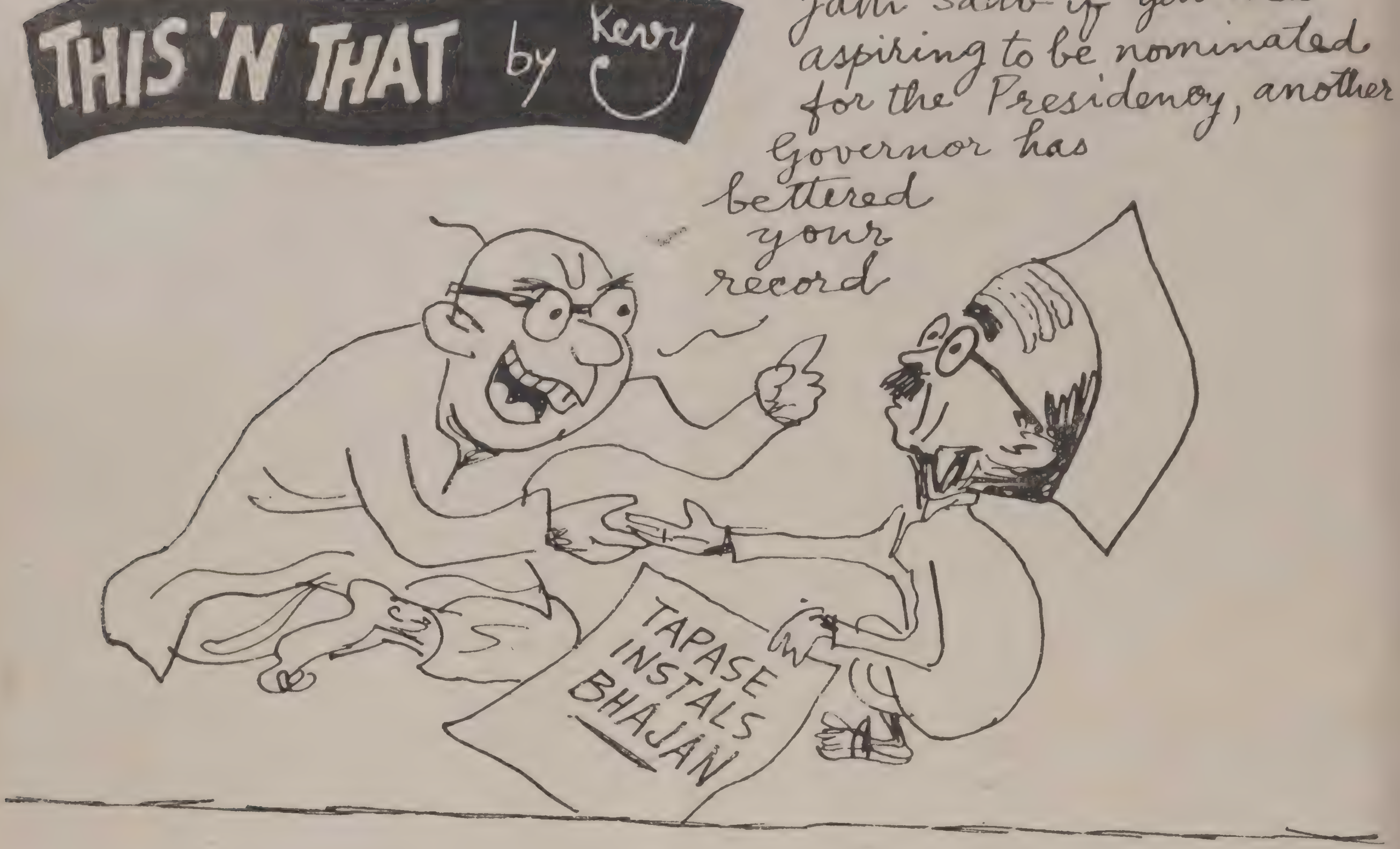
Besides, several consultancy organisations, over 200 in operation at present, both in the public and private sectors, have rendered assistance in some form or other to the developing countries in diverse industrial fields. They cater for a wide spectrum of industrial activity which includes engineering, electronics, ferrous and non-ferrous metals, chemicals, refining, paper and pulp, mining, forest and agro-based industries, drugs and pharmaceuticals, power generation and computer software. They also handle projects concerning urban development, construction of airports and hotels, sewerage disposal, effluent treatment and such infrastructure spheres as power transmission and distribution, construction of roads, bridges and railways, water supply, irrigation and flood control, town planning and architecture and telecommunication engineering.

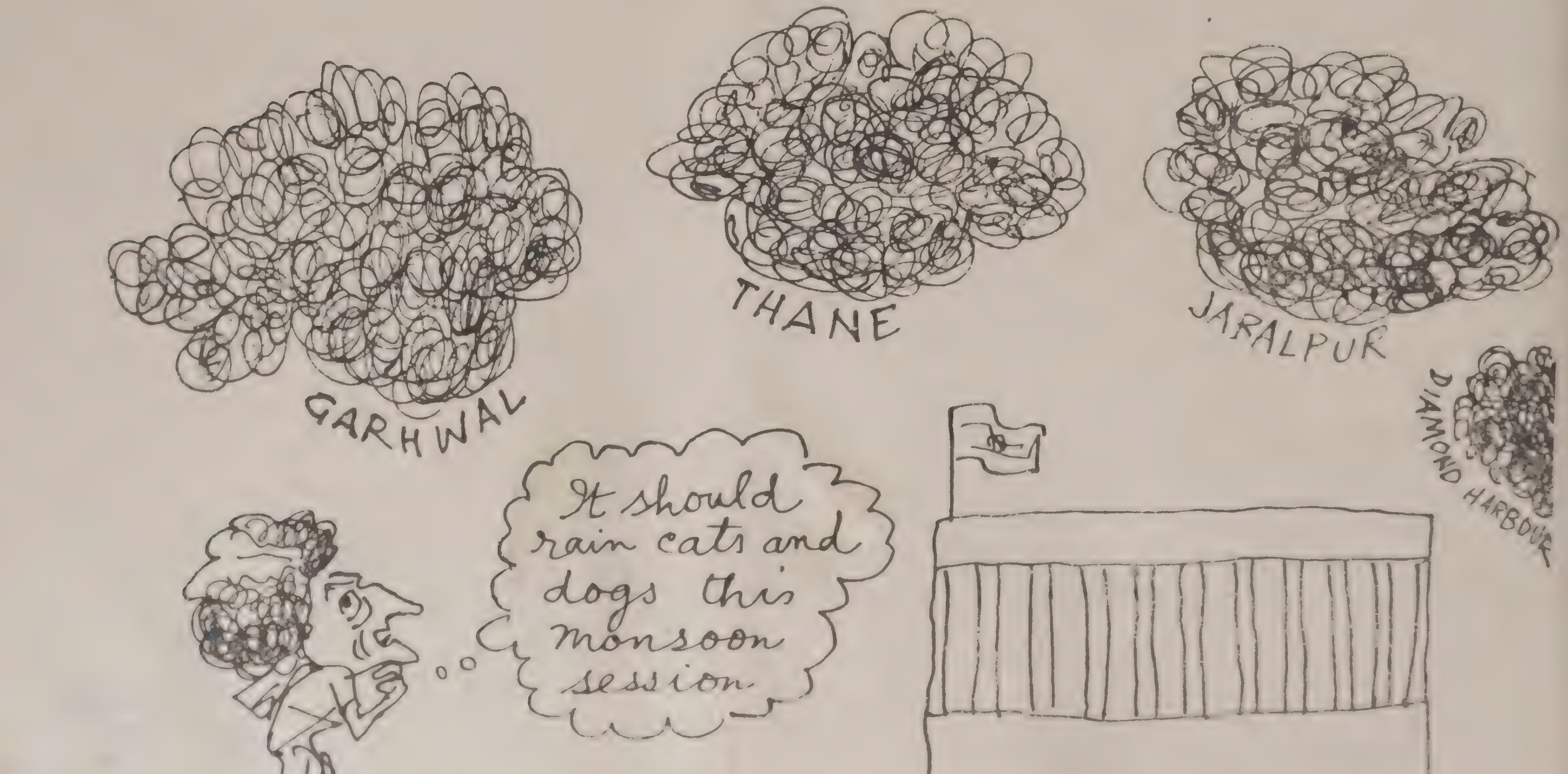
The success already achieved by our consultancy concerns, despite their track record being limited viz-a-viz their counterparts from the developed countries, particularly multinationals, should augur well for the future growth of consultancy exports. Our concerns, of course, are at a considerable disadvantage in respect of their financial strength and the overall limitations of capital outflow from the country. Consequently, they are not yet fully able to match the terms provided by the foreign consultancy organisations. But the tremendous scope particularly for joining hands with the consultancy organisations of the developed countries for joint bidding in third countries can well be exploited. A good deal of consultancy work can as well be secured from the developed nations in view of the mounting labour costs there.

It is heartening to note that concerted endeavours are being made to further improve the competence of our consultancy organisations. The fiscal and import incentives provided in the recent past, indeed, should go some way in raising consultancy exports. Consultancy organisations have been allowed import entitlement as also tax concessions on their foreign exchange earnings.

A scheme has also been launched by the EXIM Bank for financing technology and consultancy exports. Under it, the Indian components of such export contracts will be financed by the bank in Indian rupees. The foreign exchange components, if any, would be considered for financing if the remittance is authorised by the Reserve Bank on a case-by-case basis. Another significant development has been that several of these concerns have found recognition from the world financial institutions and are listed with them, implying that they are of global standards.

THIS 'N THAT by Kevy


Jatti saab if you are aspiring to be nominated for the Presidency, another Governor has bettered your record
TAPASE INSTALS BHAJAN


GARHWAL
THANE
JABALPUR
DIAMOND HARBOUR
It should rain cats and dogs this monsoon session.

U.S. Foreign Aid : Betrayal of an Ideal

Sudhir Sen

FOREIGN AID has a great future—behind ." So observed a US Congressman in ne late Sixties. The words were prohetic. Since then the aid programme as encountered growing opposition; has steadily dwindled in size, espeially in real terms; and what is worse, has, more than ever, become an odd malgam of contradictory objectives. Vhat was supposed to be its sole purose, its raison d'etre, namely, to help uild the nascent economies of the poor ations on sound foundations, has receded nto the background. Today, it has lmost become foreign to foreign aid.

This, at least when seen in hindsight, eed not be all that surprising. Foreign id, even to start with, was a hybrid orn of mixed parentage; and as time vent on, it was further hybridized as was increasingly impregnated by xtraneous elements. The initial impulse f altruism was overshadowed, and ater overwhelmed, by the exigencies of omestic politics, the intrusion of cold var psychology, invasion by commerial interests, and a rapid build-up of nilitary aid which was increasingly mixed p with development aid.

Politics Vs Aid

The aid programmes of the UN family ared no better. Development was onceived as a non-political job, but olitics has played havoc with it—the olitics of the donor nations, the reciient Governments, the specialised gencies, and, last but not least, of the ormidable international bureaucracies.

Foreign aid in the United States, as ve may recall, dates from President Truman's Point Four programme which e enunciated at the beginning of his second term in 1949. In it he held out a solemn promise that the technical resources and achievements of the United States would be placed at the service of the less fortunate nations of the world. The commitment was unequivocal; the promise was bold, even exciting; but how to give effect to it become a major headache. After some groping, the administration settled for what was deemed feasible in the political climate then prevailing in Washington.

Causes of Poverty

The groping and its outcome have been described by John Kenneth Galbraith in a revealing chapter of his book, *The Nature of Mass Poverty* (Harvard University, 1979). Speaking from his own experience of what happened within the Truman Administration, he has spelled out what he calls "The Political Origins of Error". The causes of poverty which the aid programme was supposed to tackle were derived "not from thought but from convenience". Since the USA had capital and technical knowledge in abundance, poverty was seen as the result of a shortage of capital and of an absence of technical skills. "The remedy included the diagnosis. Having vaccine, we identified smallpox. Only by accident could a therapy so selected be successful. There was, alas, no such accident."

As is well known, Point Four was directly inspired by the example of the Marshall Plan which was rapidly rehabilitating the war-shattered economies of West Europe. However, there was what Galbraith, in this tongue-in-cheek fashion, calls "one improvement". The Marshall Plan had provided for large capital outlay which ultimately totalled $13 billion. By contrast, the Point Four programme was to rely on technical assistance, as distinct from capital expenditure. Why ? Because it seemed "to promise progress at a much lower price".

A little later he pointed out yet another "improvement". In the years of Joseph McCarthy and John Foster Dulles foreign aid—to be acceptable, if not respectable—had to don the guise of "hard-boiled anti-communism". This attitude could not but fatally compromise its substance, and hence its usefulness.

For example, restructuring a landlord-ridden economic system in rural areas with effective agrarian reform to establish landowning peasant families was a prerequisite for economic development. But such reform had to be ruled out because it looked too radical and could easily be branded as Communism. And so the land reform movement which the USA had actively promoted in Japan, South Korea and Taiwan with remarkable success, ground to a halt; the archaic feudal system, with its reeking inequities and abysmally low farm productivity, was frozen indefinitely; as a result, the technical assistance programme suffered a crippling blow.

Ledejinski's Role

This can be best illustrated with an episode from the life of Wolf Ladejinski, a life-long crusader in the cause of land reform. In the mid-Forties, after having played a valuable catalytic role to help land reform in Japan, he moved on to mainland China to promote similar reform there. The work was started under the auspices of the Joint Commission on Rural Reconstruction which had been established in 1948 under the China Aid Act. The farmer response he encountered was enthusiastic, but the work did not last long. It came to an abrupt halt as the Communist army swept through China. The headquarters of JCRR was moved first from Nanking to Canton and then to Formosa (Taiwan). Soon all its work on the mainland was suspended and, as far as possible, was carried over to the island. There it pushed through a land-to-the-tlller programme with meticulous care, which set the stage for Taiwan's post-war economic miracle.

Ladejinski was deeply impressed by his one-year experience in China. And so, when the Point Four programme was announced, he promptly put up a strong plea in a detailed memorandum to adopt the JCRR programme as the model for such assistance, at least for the densely populated countries of Asia. With land reform as its centrepiece it would, he insisted, make the quickest impact on the material well-being of the poor peasants; it would do so with a minimum amount of aid dollars; and it would also wean them from the lure of totalitarian ideologies. But his pleadings cut no ice in Washington. They were turned down; a unique opportunity was lost; and the technical assistance programme took off on an uncertain orbit to wander aimlessly through turbulent times.

In 1977, the World Bank published an impressive volume containing Ladejinski's papers. The caption it used for the publication was highly appropriate: 'Agrarian Reform as Unfinished Business'. What is not so appropriate is that the Bank has done practically nothing to pursue this business. Referring to his persuasive plea to make the JCRR model the heart of the Point Four programme, the editor of the book commented that it was not adopted "unfortunately, in my opinion". This view is shared by other knowledgeable people. What is particularly unfortunate is that in the intervening three decades, nothing has been done to make amends for this grave default. This single factor alone was enough to spell the difference between success and failure of the technical assistance programme.

Widespread Belief

There is a widespread belief that the aid programme suffered because, though inspired by the Marshall Plan, it was, unlike the latter, put on a meagre diet of technical assistance and was starved of capital. As seen above, even Galbrath obliquely lent his support to it. I have always felt that this was a highly superficial view. The real difference between the Marshall Plan and Point Four lay somewhere else, not in funding but in the underlying spirit. First, the Marshall Plan was firmly geared to the most urgent needs of post-war Europe. It was fashioned in all its essentials by a leadership that summoned rare vision along with down-to-earth realism for the purpose, and then it was sold to the Congress and the nation. No lobbies could tamper with its substance, and no pressure group could deflect it from its single-minded purpose. How different it was with Point Four ! It was no more than a top-level declaration of intent, well-meaning but empty of substance. And so it was inevitably left to senior administrative aides to clothe it with flesh and blood, and they built it in their own image. Not surprisingly, they were solely concerned with what would be saleable to the Congress and the nation. They cared least for what mattered most, namely, the top-priority needs of the poor nations, how best to meet them and thereby to hasten the growth of their economies along sound lines. Instead, political compromises were struck in Washington, and they were then exported as an aid package.

Fear of Communism

There was a second difference between the Marshall Plan and Point Four, which was as ironical as it was fatal. The fear of Communism, especially after the outbreak of cold war, spurred the rebuilding of West Europe as a bulwark against it. The same fear drove the aid-givers to a hasty embrace of the poor nations' Governments, though, in general, they were feudalistic, authoritarian, reactionary, and oblivious—quite often exploitative—of their own people. This turned the Point Four deal upside down. It became not a spur to progress, but a prop to an anachronistic status quo.

The de facto alliance that emerged between the aid-givers and the ruling Governments had another melancholy side-effect. The developing countries badly needed home-grown reform movements, especially to defeudalise their societies as the first essential step toward their modernisation. Such reform movements sprouted in many countries under the normal operation of historical forces. They were subdued or nipped in the bud more easily because the government-to-government flow of aid strengthened the "ancient regime" thwarting the forces of change.

The worst conceptual flaw in the aid programme has been consistently overlooked : that political compromises made at headquarters can serve the cause of economic development in the field. Th do not. The very premise is palpab false. Yet, the edifice of aid has be erected on this very basis. From outsi it looks impressive, even awe-inspirin if only because of its overpowering siz the army of experts involved and th billions of dollars expended. But i foundation remains rickety. It is classic case of how to buy small bene fits at huge costs.

A Sordid Act

The Marshall Plan, said Winston Churchill, "is the most unsordid act of history". Who would dare apply this remark to the foreign aid programme even though it was born of the same impulse? It was launched without a compass on unchartered waters. The start was anything but auspicious. And as it continued on its precarious voyage, buffeted by contradictory winds, the whole venture began to look less and less "unsordid".

Today's aid package, as it has evolved over the years, eloquently testifies to this fact. Two-thirds of it is given to three countries (Israel, Egypt and Turkey) mainly for military purposes. Yet it is all lumped together and treated as foreign aid.

The literature on foreign aid is vast and is growing incessantly. It is neither possible, nor necessary here, to attempt a detailed analysis of its past record. However, there are four points, more or less corollaries to what has been said above, which deserve special mention:

1. **Quantitative Obsession**: There has long been an excessive preoccupation with the amount of aid in terms of dollars along with a surprising indifference about its quality. One frequently hears lamentations over the fact that America devotes only 0.27 per cent of its Gross National Product to development aid, while a number of other countries, e.g., France, West Germany, Canada, Britain, not to speak of the Scandinavian group, spend a significantly higher percentage of their GNP as foreign aid. True, the percentage is too low in America's case, only a third of the target —0.7 per cent of GNP—that was laid down by the UN for the Second Deve-

opment Decade. Even so, is it not incomparably more important to ask how effectively the available funds are being used and what results they are achieving in actually promoting development in the poor nations?

Let me illustrate. In 1961, John Kenneth Galbraith, the then Ambassador in India, wrote in his Journal (May 10): In those days the Indian Government regarded technical assistance activities . . .with considerable suspicion. . .an invasion of sovereignty, a possible cover for cold war penetration. . .Whenever India Government asked for help, a great effort was made to respond. ‘At least they were asking us’.” As a result, technical assistance became “a hit-and-miss affair, helping here and missing there, and may be doing occasional damage by diverting attention from first essentials”.

Haphazard Pattern

And just about a month earlier (April 12, 1961), he had noted down in a similar vein: A few years ago all American activities were “regarded with much suspicion. Accordingly, when we were asked for help. . .in remedial reading, occupational therapy, flower arrangement—we were delighted and responded enthusiastically. The resultant pattern of technical assistance activities was wholly haphazard”.

India’s case, it may be argued, is an extreme one so that it would be unfair to treat it as typical. Nevertheless, Galbraith’s main conclusions — that technical assistance was “a hit-and-miss affair”, that its pattern was “wholly haphazard”—could not be summarily brushed aside. They did contain a large element of truth for foreign aid as a whole; indeed, inevitably so in a programme that was launched almost in a casual fashion, without any carefully thought-out design, and was soon loaded with compromises at both ends, at the headquarters and in the field.

It has become customary for the protagonists of all aid programmes to think and speak in terms of multi-billion dollars. This “billionists” is an off-shoot of the Rostowian analysis that established a rigid correlation between the rate of growth and the need for capital, e.g., x-billion dollars are needed to generate a y-rate of growth. No such correlation, however, ever existed, except in the mythical world of a speculative brand of economic theory. The task has always been—and still remains—how to achieve optimum results for a given amount of money, or how to pack maximum bang in terms of development into every buck available for aid.

Neglect of Food Production: In any rational programme of development for poor nations, food production deserves by far the greatest emphasis. The reasons are, or should be, obvious. Food is the foremost requirement; the living standards of the poor nations depend very largely on the adequacy of food supply. Tropical agriculture has enormous potential, not only for food production but also for job creation. If systematically tapped with the available scientific knowledge and technologies to optimise production, incomes and job opportunities, the GNP and the living standards of the poor nations could be raised surprisingly fast. Despite these facts, it has taken too long to grasp the crucial importance of a food-first approach to development.

Neglect of Agriculture

The huge food surplus of the USA, especially in the fifties and the sixties, militated against the adoption of such an approach. “Food for Peace” had a worthy role to play to provide relief to the truly needy, the “absolute poor”, or to those struck by some disasters, natural or man-made, as in Sudano-Sahelian area or in Cambodia. But in practice its role was grossly inflated. Subsidized food was exported on a large scale (to some extent, also from West Europe); the Governments of the poor nations grabbed it with alacrity as an easy way out of their developing food crisis, ignoring its impact on their farmers, on the fate of their primitive agriculture and of their struggling economies. Food for peace became a stumbling block to development.

Building Self-reliance: “To help them help themselves”, “to make them self-reliant”, to put their economies on a “self-sustaining growth path”—these were the professed ideals of technical assistance programmes, and they have continued to embellish the literature on the subject through all these years. It should have been clear from the outset that they could be realised only in one way—by putting their own resources systematically to work—their land and water, their minerals and forests, their sunlight and air, and their human resources by mobilising their manpower for productive work and by progressively upgrading its skills. How to go about this vital, and novel, task should have been the foremost concern of all aid-givers. But there never was any analysis, sufficiently deep, comprehensive and objective, to evolve a winning strategy to meet these new challenges.

Accent on Production

After inordinately long delays the aid programmes have begun to realise the need to concentrate their primary focus on agriculture, especially food production. This is welcome, but what is still sadly lacking is a clear recognition of the essential steps that must be taken to elevate primitive low-yield agriculture to the modern scientific age by the shortest and surest route.

Role of Persuasion: Technical assistance has, to evoke an old but useful Laskian phrase, an inarticulate major premise, namely: that the aid-givers would know the priority needs of the recipient countries and would also be able to persuade their Governments to adopt these priorities and to pursue them effectively. This might sound like a tall order, but technical assistance demanded nothing less. It was destined to stand or fall by its ability to satisfy this condition.

Former World Bank President, Eugene Black, knew this only too well. That is why, in the course of a series of lectures he delivered more than twenty years ago, he carved out a crucial role for a new kind of specialist whom he called a “development diplomat”. Mr Black defined him as “a man with a vocation” and “an artisan of economic development”, who would use “the tools of economics and other disciplines as best

NEW BANK OF INDIA

(Head Office, 1-Tolstoy Marg, New Delhi)

STATEMENT OF POSITION

31st December, 1980	LIABILITIES		31st December, 1981
Rs.			Rs.
75,04,695	Capital: paid up Capital		2,50,00,000
4,54,00,000	Reserve Fund etc.		3,59,04,695
503,28,22,520	Deposits & Other Accounts		585,21,07,723
12,59,66,025	Borrowings from Banks & Agents etc.		16,75,16,554
12,00,14,387	Bills payable		13,68,01,529
40,43,38,777	Bills for collection per contra.		45,38,50,582
3,08,02,845	Other Liabilities		6,43,80,848
91,83,20,314	Acceptances, Endorsements etc. per contra		99,21,18,292
1,94,473	Collection of Chawla Bank per contra		1,94,473
	PROFIT & LOSS ACCOUNT		
	Balance as per last		
—	Balance Sheet	5,32,529	
	Less Transferred to	5,32,529	
	Central Government		
		NIL	
82,74,872	Profit for the year	88,22,395	
	Less transferred to		
77,42,343	Reserve Fund	80,00,000	
5,32,529	Balance to be transferred to Central Govt.		8,22,395
668,58,96,565			772,86,97,091
	ASSETS		
106,60,89,850	Cash in Hand and with Banks		103,55,58,971
2,10,25,144	Money at Call & Short Notice		1,68,50,000
158,99,13,453	Investments (At or Below cost)		176,77,39,027
256,62,00,250	Advances		330,37,36,101
40,43,38,777	Bills for collection per contra		45,38,50,582
91,83,20,314	Acceptances, Endorsements etc. per contra.		99,21,18,292
1,12,61,001	Premises		1,87,97,211
3,40,82,753	Furniture & Fixtures		4,03,31,555
7,44,66,550	Other Assets		9,95,16,879
1,94,473	Collection of Chawla Bank per contra		1,94,473
4,000	Non Banking Assets		4,000
668,58,96,565			772,86,97,091

he can to place in perspective, to shed light on and to illuminate the choices before the decision makers in the under-developed world".

"To illuminate the choices"—what a wonderful phrase, and what a fascinating tool of persuasion! The beauty of this tool is that, properly used, it works, as I can vouch from my personal experience in such different environments as India, China, West New Guinea/West Irian, Yugoslavia.

But sceptics would still ask as they have done from time to time: "Are there enough specialists of such a special genre who would meet Eugene Black's specifications? And could the aid programmes attract them to their service?" The questions have a palpably spurious quality. What has been in short supply is not qualified people, but the desire to recruit them. Talent hunt is almost always anathema to the top echelons of established bureaucracies, who are prone to play safe with "safe" people and therefore fight shy of high-grade personnel.

This, more than anything else, explains why the programmes had so few dedicated "development diplomats" at the top, while they were bloated at the lower levels and included an army of experts who, in most cases, needed expensive on-the-job training; who, instead of illuminating the options about programmes and projects, badly needed some illumination themselves; who, instead of persuading the Governments to which they were assigned, were only too often too ready to bow to their wishes, even when these were far removed from their high-priority needs. The consequences of this are writ large over the record of aid programmes.

Textile Strike: A Solution

S. Laxminarain

HE BOMBAY textile strike score-card ids fair to establish an all-time record. Days, weeks and months have gone by vithout a solution in sight. Workers pparently are not yet fed up as they re periodically fed with the wherewithal o stand some of their privations. The nion leader is all confidence, or at any ate, he seems to make the workers think o.

The millowners, it would appear, are e ones most hurt. They keep on curring losses. The exporters? They ave to wait for their next round o do any business with Russia.

The cloth consumers are the least orried about it all. "We do not have nough to buy our other necessities. Why bother about textiles? Let normalcy be restored and if we then have nough money to spare, we will think of uying textiles". That is the common efrain. For festivals and marriages, of ourse, textile buying is done without eference to economics. Kitchen politics ules the roost!

The State Government has reiterated me and again that there is an illegal rike on and that it will have nothing o do with anything illegal. The Bombay Millowners' Association does not understand what it is all about. Who is he? We don't recognise him. How can we fford to recognise Tom, Dick and Harry, who comes along to claim leadership of workers every other day?

Talk to any average millowner about the strike. And many of them are just that as witness the bloated NTC. The more average a mill is today, the better its potentiality to become an NTC unit tomorrow. He will say he is fed up with it all and is contemplating to leave the city, once and for all, so that the militant leader can continue to mollify the workers with alluring lollypops of one kind or the other so as to keep the strike going.

Almost everybody with any stake in textile production has been made to feel that workers can do without him. Listening to the union leader and his irresponsible demands, the mill manager has reached such a stage as to feel convinced that he can't run his mill in the city any longer. "Let me get the hell out of here. The sooner I do it the better". That is his frustrating conclusion.

Thus, the stage is set for the mill management to seek fresh fields and pastures new, far, far from the madding crowd with militant orchestration. Back to the villages where the corrupting and corrosive influence of musclemen has yet to pollute the clean atmosphere.

The back-to-the-village call was given by the Father of the Nation. It is part of history. Barring a few stalwarts of the old school, however, many have found it convenient to ignore such calls, being more preoccupied with their own efforts to get rich quick and motor along the highway to the metropolis. And that precisely is the national pastime of playing politics with economics in almost every industry.

Back to the Village

Environmentalists in the West have for long recognised the merit of helping people to breath clean air and are spending a good lot of money to ensure that the average citizen stays healthy even when industries proliferate. In other words, the majority of the industrialists in the advanced countries take pride in going backward to the village, in their forward march to economic progress.

Well, we could emulate their example and profit by the same. Here is a Godsend of an opportunity, given by the textile strike, for the millowners to do what they ought to have done long before and probably what they wanted very much to do, but could not.

By pitching their demands too high, the workers have in effect forced the issue, incidentally providing the rod with which to get beaten! The union leader could not have bargained for this sort of a turn in the situation. To call for a strike, an indefinite one at that, in the heat of a rhetorical moment is easy. And it is easier still for one who does not know textile economics or, what is worse, who does not have time for such irrelevancies, being fully preoccupied with the operation of one militant strategy after another, depending upon the circumstances and the political climate.

Even well-known commentators of trade union movement have found it perplexing as to how over two lakh workers have been lured into a strike without the ghost of a plan to arrive at a solution with the least damage to the concerned workers.

High Stakes

The stakes are indeed high whether it is for the mill management, the textile workers, the State Government or the Centre. But when practically everybody responsible is crying hoarse that militant trade unionism must be nipped in the bud, there is no point in quibbing with old norms and saying that entrepreneurs should never be allowed to sell their lands at exorbitant prices. How best to show that militancy will not pay? Let the ancient norms be drastically amended. Allow industries to shift if they can't produce anything for want of cooperation from the trade union leaders and the workers.

Today the textile labour problem, having been allowed to become more and more intractable, has verily developed into a challenging proposition. No known norms that had been tried in the past, often with some degree of success, would do to settle the issue.

Whether it is the Central of the State Government or the representatives of the mill industry, they have all been forced to adopt rigid postures with the one and only objective of cutting the union leader down to size. It is not as though they are not interested in playing fair by the workers. But they are determined not to encourage any unfair practices in the name of labour welfare.

Lately, taking the cue from the West, India has also become more and more alive to the need for taking positive steps to prevent industrial pollution through de-congestion of cities and towns bursting at the seams with slums. Is there not a link between the deteriorating law and order situation and the proliferating slum-dwellers who are trying in vain desperately to make both ends meet?

Whatever good that had been achieved by responding to the back-to-village call has been more due to voluntary actions by the enlightened industrialists than by official initiative. Missionary zeal is required to remove rural poverty. The dedicated should never allow themselves to be deterred by official apathy.

Now is the time for tackling in earnest the twin problems of pollution and congestion. The strike can therefore be fully exploited and in fact some of the millowners have openly declared that their only means of survival in this business, at the present juncture, will be through a purposeful drive to shift their units outside Bombay, if not outside Maharashtra.

Jubilant Neigbours

When the current industrial relations situation in Bombay was discussed recently at a meeting held under the auspices of the Indian Merchants' Chamber, it was disclosed how some of the neighbouring States were praying for the emergence of more and more militant union leaders in Maharashtra as that was the only way for other States to accomplish some degree of progress in industrialisation!

By facilitating shifting of mills from the city to the interior, preferably backward areas, the State Government could declare its intentions, more positively than otherwise, not to tolerate any outside interference with the existing agreement between labour and management. This could also nip in the bud anyone else trying to exercise extra-territorial rights, through violence and intimidation.

In other words, the workers must be made to realise the futility of going on an indefinite strike everytime someone comes along promising them the moon. What is the good of having any agreement with any one when one of the partners to the agreement can call a strike as and when he chooses and the other has n right to declare a closure on account o heavy losses?

Another problem that also calls fo simultaneous resolution is the questio of modernisation. Everybody is agree on the lasting advantages of modernisation in a highly competitive field. Bu something or the other crops up, making progress in the right direction more and more difficult.

Dispersing Mills

Shifting and modernisation could be expedited if the strike continues for an unconscionably long time. Let the shifting mills be told to start from scratch, as it were, by utilising right from the start improved machines and equipment instead of lugging along with them to the new places obsolete machines that had been with them for ages. Those workers willing to shift to the new areas should be given due priority in the matter of placement. This is an inducement which few workers can resist especially as most of them have come to Bombay in search of jobs, having failed to get a suitable berth elsewhere. Konkan areas may suit like a glove to most of the workers in Bombay who have settled here.

There could be wider dispersion of plant and equipment in keeping with the infrastructural facilities already available, or possible of development, in the selected backward areas.

After such a prolonged strike, no mill will be able to take up the shifting proposition with any degree of confidence, having almost lost their all in the process. Adjustments, and drastic ones at that, born of desperation, cannot be made overnight. It might take a year or two for most mills to recover their composure before embarking on a new course of action and set up shop in a new place altogether. There are so many imponderables to take into account.

To facilitate the mills to effect the change with the maximum despatch, the Government should come forward with the bridge money required for the purpose during the interim period before the mills are in a position to convert their lands into cash.

It is true that what the mills will get

for their lands today will be a fantastic price, several times what the forefathers of the present generation millowners had paid in the distant past. But that price itself may or may not be adequate compensation to meet the contingencies of shifting in the present juncture and making a fresh start in the wilderness. Active cooperation from the State Government is a must to make possible such a shifting.

There are, of course, set rules preventing entrepreneurs from shifting from one place to another cashing in on the staggering appreciation in land values in developed metropolitan areas. But drastic situations call for drastic remedies. The concerned authorities would do well to weigh the pros and cons of a given set of circumstances in the industrial relations obtaining in Maharashtra in general and in Bombay in particular before adopting an enlightened approach to assist and promote dispersal of units, whether in textiles or elsewhere, to areas where the entrepreneur will be free from the frequent stranglehold of militant labour leaders.

What is definite about the indefinite strike on the textile front in Bombay is that it has so far done nobody any good. There have been staggering losses all along the line, whether in production, exports, wages or Central Government revenue. And, what is worse, the productivity year for the nation could not have been off to a worse start.

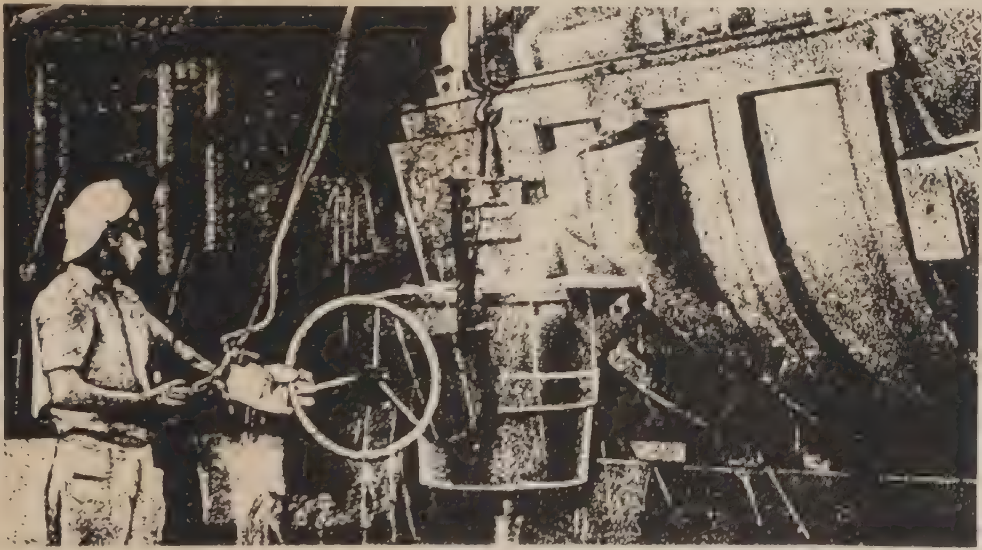
Woe be it to the nation as a whole if the working class is allowed to get convinced that only through militant operations could their lot be improved upon. It is also highly essential, in the interest of industrial development, to see that the trade union leadership is not led to believe that only through gangsterism could they win friends and influence people among the workers.

Even as fear psychosis is tellingly and brutally brought into being to prevent willing workers to earn their bread, unwilling workers should be made to realise that they would lose their jobs permanently if they failed to behave.

A back-to-village movement, which might not otherwise gain strength, could now be initiated when that apparently is the only sensible way to tide over the present crisis and prevent senseless slaughter of the innocent few in defence of the reckless adventure of the many through an indefinite strike called by irresponsible union leadership motivated mainly by political ambitions and nothing else.

Apparently, the old-world method of settling disputes between management and labour, through negotiations across the table, is no longer current coin. When currency is the bait by which union leaders are hooked to toe the management line, the first casualty is labour welfare. Similarly, when muscle power and gangsterism hold sway, the management is just led straight through the road to ruin and the workers taken for a ride.

It is time the concerned parties to the dispute and others indirectly affected realise the changed scenario on the textile front and devise ways and means of ensuring uninterrupted production in keeping with the tenor of the national productivity year.



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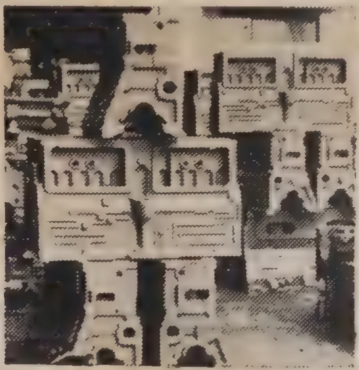

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Economic Analysis

How Progressive are Direct Taxes ?

G. Thimmaiah

TAXATION HAS been used in India to promote multiple objectives such as increasing the rate of domestic savings, reducing inequalities of income and wealth and maintaining price stability. The first objective was attempted to be achieved through "widening and deepening of the Indian tax system" so as to mobilise additional revenue for the purpose of investment in the public sector. Additional taxation measures were mainly intended to increase the public sector saving by diverting the increased income in the private sector (from going to conspicuous consumption) to public sector saving and investment. But, in the 1970s, empirical studies have shown that this has not actually happened.[1] In fact, both direct and circumstantial evidences go to prove that the additional taxation has encouraged the Government to incur consumption expenditure much more than Government savings.

In the case of price stability, taxation was justified on the basis of the Keynesian macro-economic logic, namely, that taxation would reduce disposable income and hence effective demand, and thus bring down prices. But here again some studies have shown that the taxation, particularly indirect taxation,[2] instead of reducing demand, has simply added to the tax-pushed price rise and consequently the additional tax measures in the past ten years or so have only added to price instability.

As regards the equity objective, the role of taxation in reducing inequalities of income and wealth has been rather over-emphasised. During the second Five-Year Plan period, the big-push strategy of industrialisation emphasised the objective of growth and equity. Growth was attempted to be achieved through rapid industrial development, particularly by starting capital goods industries, and equity was supposed to be achieved through fiscal policy tools, particularly by levying steeply progressive rates of tax on income and wealth. Accordingly, for the first time a group of direct taxes was introduced, based on the recommendations of Nicholas Kaldor, which came to be known as 'integrated direct tax system'. In addition to the then existing income-tax and capital gains tax, wealth tax, estate duty, gift tax and expenditure tax came to be levied. Since then these taxes have continued to operate with various modifications and only expenditure tax has been abolished.

Nicholas Kaldor provided a very appealing rationale for the equity objective of taxation in the following way:

> "An effective system of progressive direct taxation is vital to the survival of democratic institutions in India. The need for this arises not merely on financial grounds—to raise adequate resources for purposes of accelerated economic development—but in order to bring about the degree of social cohesion and cooperation that is essential for the successful functioning of a democratic system. In a community where there is such a wide gap between the position of a privileged minority of well-to-do and the vast majority who live in dire poverty, social cohesion can only be achieved if economic inequality is effectively lessened and the tendency towards increasing concentration of wealth is effectively contained. This can only be done through the instrument of taxation. It is in any case inevitable that heavy burdens should be laid on the broad masses of the population if India is to attain a satisfactory rate of development in the coming decades. It will not be possible to carry through the programmes successfully with the consent and cooperation of the people if the privileged minority of the well-to-do are not made to bear the fair share of this burden. Moreover, in matters of taxation, like in administration of law, it is not enough that justice is done—it must also be seen to be done. If owing to defects in the tax law, or in their administration, highly progressive taxes of wealth and income have no visible effect on the prevailing economic inequality or in the standards of living of the rich, the mere enactment of advanced tax legislation will prove fruitless".[3]

The Government of India took this advice seriously and relied too much on direct taxes to reduce inequalities of income and wealth. What is more, by introducing many direct taxes together, it tried to convince the majority of the vast masses that the richer people were bearing very high burden of taxation and, therefore, the masses should also contribute to whatever extext possible through indirect taxation for the development effort. This led to an enormous increase in the rates and coverage of indirect taxation. Such unprecedented increase in indirect taxation also gave a lever to the private sector, which had been protected from foreign competition, to use it to increase profits through pushing up prices. While the Government was lulled into complacency on the assumption that increased taxation would reduce consumption and bring down the price level and also that the system of integrated direct taxes would prevent evasion of direct taxation and reduce inequalities of income and wealth, in actual practice prices went on rising as and when taxes were increased and the really rich self-employed income earners went on evading direct taxes. After a period of two decades, it has come to be realised that the inequalities of income have increased and the mass poverty has only spread. Several explanations are given for these not so unexpected economic consequences. Recognising this fact, the fourth Five-Year Plan emphasised restructuring of Plan priorities and also the composition of the goods produced in the country with a view to achieving growth with equity. The Fourth Plan also started some anti-poverty programmes which have been continued even in the Fifth and Sixth Plans.

An attempt is made here to assess the effect of direct taxes on the inequalities of income and wealth. This is done by measuring the progressivity of direct taxes in India.

For the purpose of judging the progressivity of tax, traditionally average rate and marginal rates are used. Thus, over a given range of ascending income levels, if the average rate and marginal rates are equal, the tax is considered as proportional, if the marginal rate is higher than the average rate it is progressive, and if the average legal rate is higher than the marginal rate, it is regressive. However, these refer to only legal rates which exist in law. In actual operation, however, they may not satisfy these conditions. In other words, what is important from the point of view of judging the progressivity of direct taxes is the comparison of average effective and marginal affective rates. These rates are obtained on the basis of the actual amount of revenue collected from the taxpayers at different income levels. Though the progressivity of taxation is measured in terms of average progressivity, marginal rate progressivity, and tax liability progressivity, for purpose of knowing the effect of direct taxes on the inequality of income and wealth we need to have

TABLE I

Composition of Direct Taxes in India

(Rs crores)

Year	Income Tax	Corporation Tax	Estate Duty	Wealth Tax	Gift Tax	Other Direct Taxes	Total Direct Taxes
1950-51	132.73	40.49	—	—	—	3.81	177.00
	(74.97)	(22.87)	—	—	—	(2.16)	(100.00)
1951-52	146.19	41.41	—	—	—	2.97	190.57)
	(76.71)	(21.73)				(1.56)	(100.00)
1955-56	131.35	37.04	1.81	—	—	2.60	172.80
	(76.01)	(21.44)	(1.05)			(1.50)	(100.00)
1960-61	167.38	111.05	3.09	8.15	0.89	5.18	295.74
	(56.60)	(37.55)	(1.04)	(2.76)	(0.30)	(1.75)	(100.00)
1965-66	271.80	304.84	6.66	12.05	2.27	6,06	603.68
	(45.02)	(50.50)	(1.10)	(2.00)	(0.38)	(1.00)	(100.00)
1970-71	473.20	370.50	7.90	15.30	2.40	7.50	876.80
	(53.97)	(42.26)	(0.91)	(1.74)	(0.27)	(0.85)	(100.00)
1975-76	1214.40	861.70	11.70	53.70	5.10	75.40	2222.00
	(54.65)	(38.78)	(0.53)	(2.42)	(0.23)	(3.39)	(100.00)
1980-81	504.42	1310.79	3.93	67.43	6.51	99.34	1992.42
	(25.32)	(65.79)	(0.20)	(3.38)	(0.33)	(4.98)	(100.00)
1981-82 RE	503.12	1962.00	0.50	75.00	6.75	211.18	2758.55
	(18.24)	(71.12)	(0.02	(2.72)	(0.24)	(7.66)	(100.00)

Note : (1) Figures in brackets refer to percentages.

(2) Other Direct Taxes include stamps and registration, land revenue, interest tax and expenditure tax.

Source : RRI Bulletins and Reports on Currency and Finance.

a summary measure which has some relation to the popularly used measure of inequality namely Loren curve. R.A. Musgrave[4] has suggested a measure in which the inequalities of income of pre-tax and post-tax incomes are compared and the effect of tax system on the inequality of income is measured. Recently D.B. Suits[5] and N.C. Kakwani[6] have also developed similar summary measures to know the impact of tax structure on inequality of income. In this article, Musgrave's measure has been used. The justification for using it is that Musgrave's measure would not only give us the impact of direct taxes on the degree of inequality but also take into account the impact of statutory rate structure, the level of tax yield and the distribution of income.

Progressivity of direct taxes is measured with reference to their distributional effect. Following R.A. Musgrave, incidence of taxation has come to be defined in terms of its distributional consequences. Accordingly, progressivity is supposed to reduce the inequality of post-tax income distribution. No doubt, for the purpose of knowing the progressivity and the impact of distribution of income, not merely the incidence of overall tax structure but also the incidence of public expenditure should be considered. Only such a complete budget incidence will give the true picture of the distributional consequences of Government budget. However, it is also necessary to examine the impact of specific direct taxes on the distribution of income from the

TABLE II
Progressivity and Redistributive Effect of Direct Taxes

Year	Income Tax		Wealth Tax		Estate Duty		Gifts Tax		Capital Gains Tax	
	$\frac{G^*}{G}$	$\frac{G-G^*}{G}$	$\frac{G^*}{G}$	$\frac{G-G^*}{G}$	$\frac{G^*}{G}$	$\frac{G-G^*}{G}$	$\frac{G^*}{G}$	$\frac{G-G^*}{G}$	$\frac{G^*}{G}$	$\frac{G-G^*}{G}$
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1957-58	0.7844	0.2156	—	—	—	—	—	—	0.9525	0.0475
1958-59	0.9242	0.0758	—	—	—	—	—	—	0.9518	0.0482
1959-60	0.8492	0.1508	—	—	—	—	—	—	0.9504	0.0496
1960-61	0.8248	0.1751	—	—	—	—	—	—	0.9696	0.0303
1961-62	0.8467	0.1533	0.9968	0.0033	0.9379	0.0621	0 9768	0.0232	0.9521	0.0479
1962-63	0.8392	0.1608	0.9961	0.0039	0.9371	0.0629	0.9721	0.0279	0.9638	0.0362
1963-64	0.8397	0.1603	0.9952	0.0047	0.9236	0.0764	0.9816	0.0184	0.9701	0.0299
1964-65	0.8452	0.1548	0.9959	0.0041	0.9436	0.0564	0.9432	0.0567	NA	NA
1965-66	0.8424	0.1476	0.9964	0.0035	0.9427	0.0573	0.9279	0.0721	0.9457	0.0543
1966-67	0.8400	0.1599	0.9960	0.0040	0.9142	0.0858	0.9318	0.0682	0.9551	0.0449
1967-68	0.8318	0.1682	0.9956	0.0046	0.8837	0.1163	0.9510	0.0489	0.9670	0.0329
1968-69	0.8591	0.1409	0.9962	0.0040	0.9221	0.0779	0.9319	0.0680	0.9607	0.0393
1969-70	0.8304	0.1696	0.9959	0,0041	0.8881	0.1119	0.9422	0.0578	0.9642	0.0358
1970-71	NA	NA	0.9960	0.0040	9.9105	0.0895	0.9712	0.0288	NA	NA
1971-72	0.7607	0.2393	0.9951	0.0049	0.9191	0.0809	0.9427	0.0573	0.9646	0.0354
1972-73	0.7860	0.2140	0.9966	0.0034	0.9113	0.0887	0.9383	0.0617	0.9145	0.0855
1973-74	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1974-75	0.7098	0.2092	0.9955	0.0046	0.9159	0.0841	0.8964	0.1036	0.8922	0.1078
1975-76	0.7909	0.2091	0.9957	0.0043	0.9085	0.0915	0.9277	0.0723	0.8953	0.1047
1976-77	0.8008	0.1992	0.9970	0.0031	0.9272	0,0728	0.9224	0.0776	0.8872	0.1128
1977-78	0.7009	0.2991	0.9944	0.0054	0.9259	0.0741	0.9224	0.0776	0.6935	0.3065
1978-79	0.8102	0.1898	NA	—	NA	NA	NA	NA	0.8887	0.1113

Notes : (1) N.A. : Data are not readily available for these years and hence the relevant measures are not estimated.

(2) $\frac{G^*}{G}$: is the summary measure of progressivity suggested by R.A. Musgrave

(3) $\frac{G-G^*}{G}$: is the equilisation coefficient *a la* Hiromitsu Ishi.

point of view of tax reform. The taxes which are traditionally considered as direct taxes such as income tax, estate duty, capital gains tax, gift tax, wealth tax, etc., are supposed to fall on those people on whom the legal liability is indicated and established.

It may be noted that the effectiveness of these taxes in reducing the inequality of income depends upon the nature of the progressive structure of the tax rates. In the case of Musgrave's measure, first the gini-coefficient of income distribution before tax, (G), is estimated. Then the gini-coefficient of post-tax income distribution, (G*), is estimated and the ratio of latter to the former, (G*/G), would give the overall progressivity of the tax. The ratio (G—G*/G), which may be called coefficient of equalisation would give us the effect of direct taxation on the distribution of income. If the ratio of gini-coefficient of post-tax income distribution, (G*), to gini-coefficient of pre-tax income distribution, (G), is greater than one, the overall effect of a tax is progressive. If it is equal to one, it is proportional and if it is less than one, it is regressive. Further, higher the value of coefficient of equalisation (G—G*/G), higher the redistributive effect of taxation will be.

Table I shows the changing composition of direct taxes in India. It may be observed that the income-tax which contributed almost 75 per cent of the revenue from direct taxes gradually declined in its importance to 18 per cent. Correspondingly, the revenue importance of corporation tax has increased from 23 per cent in 1950-51 to 71 per cent in 1981-82. Of the remaining direct taxes, the revenue from wealth tax has been increasing both in absolute and relative terms. Even so the revenue importance of direct taxes on individuals has been declining. This would suggest that direct taxes on individual incomes and wealth are declining as compared to direct tax on corporate income, thereby making them ineffective in achieving the equity objective.

Table II presents the summary measure of progress and the redistributive effect of direct taxes. The summary measure of progressivity is the one suggested by R.A. Musgrave which indicates that the progressivity of all direct taxes has been regressive as the values are less than one. Perhaps wealth tax, estate duty, gift tax and capital gains tax can be considered to be proportional in view of the values of their progressivity measures being nearer unity. But in the case of individual income-tax, it is definitely regressive as it is less than unity. What is more, the coefficient of equalisation, which is presented in Table III, shows that the income-tax, though it had more equalising effect than other direct taxes, is still far inadequate to reduce the inequality of income distribution among the direct tax assessees. In the case of wealth tax, the equalising effect is almost absent. And in the case of other direct taxes it is negligible. This suggests that the direct taxes did not have significant equalising effect to reduce inequalities of income distribution among the direct tax assessees in India.

We have also examined the average rate-marginal rate progressivity. (However the results are not presented here as they run into several pages). There also we find regressivity evident. In other words, though the summary measure of progressivity indicates the overall progressivity over the entire range of income levels, even the marginal rate progressivity does not clearly indicate progressivity at different ranges of income levels. It is quite possible that a tax may be progressive at different levels of income but may not be progressive over the entire range of income levels. However, both the summary measure of progressivity and the average marginal rate progressivity indicate that all the direct taxes in India have not been progressive so as to reduce inequalities of income and wealth.

It should, however, be noted that these direct taxes have been operating in a situation of rising prices. Rising prices themselves operate as some sort of regressive tax and in order to know the true nature of the progressivity we have to eliminate the impact of infla-

TABLE III

Arrears of Assessment of Direct Taxes

Year	Income Tax	Wealth Tax	Estate Duty	Gifts Tax
1950-51	528070	—	—	—
1955-56	539832	—	—	—
1961-62	712402	15499	4210	2117
1966-67	2346531	74232	9798	6872
1971-72	1123705	172044	11945	13825
1972-73	1392665	198677	13408	16986
1973-74	1719597	238732	14969	21106
1974-75	1677481	244224	20084	26305
1975-76	1726683	255810	25470	30438
1976-77	1741838	288949	27256	22580
1977-78	1537542	314224	28287	22925
1978-79	1925564	331561	27802	21807
1979-80	2299265	432988	34891	27403

Note: Wealth Tax, Estate Duty and Gift Tax were not in operation in 1950-51 and 1955-56.

Source: Anil Kumar Jain, "Central Direct Taxation; Administrative Problems", *Eastern Economist*, February 12, 1982.

tion on the progressivity of these taxes. However, we have not been able to separate the regressivity of inflation from the regressivity of direct taxes. Even so, one would expect from the tax rate structure that some sort of progressivity would prevail. But the average effective rates and the marginal effective rates indicate that the effective rate progressivity has been regressive in India.

After establishing the negligible equalising effect of direct taxes in India, it is necessary to search for the reasons for such absence of progressivity. Three reasons may be given to explain this phenomenon:

(1) Though the legal rates have been made steeply progressive, the effective, rates have been made regressive owing to various exemptions, allowances, deductions and so on. In other words, 'tax expenditure measures,' which are built into the direct tax system, have distorted the legal rate structure and made them regressive.

(2) Tax evasion seems to be evident as marginal and average effective rates become lower at the higher levels of income and wealth.

(3) The extent of tax avoidance under legal protection, and the ever increasing arrears of asssessment and of collection (as is evident from Tables III and IV) do indicate that at the higher levels of income and wealth, people resort to legal remedies because of defective assessment and as a result the actual tax liability becomes far less than the expected legal liability. Consequently, the originally designed tax loses its progressivity element over time, apart from the Government losing the revenue.

Thus a combination of these factors have been operative in the country to make the direct taxes ineffective in their equalising effect. The policy implication of the foregoing findings is simple, namely, to recognise reality of the situation. It is better to admit the fact that the direct taxes in the country cannot be used to reduce inequalities of income and wealth, rather than to proclaim repeatedly that they are intended for that. This is mainly because the coverage of these taxes is so small that it is meaningless to think of using such taxes which cover a small proportion of the active population in the country to reduce the inequalities of income in the country as a whole. The actual operation of the tax laws have shown that the average and marginal effective rates have been quite different from the legal rates and as a result the expected equity even among those whose income and wealth are assessed for direct taxes is not achieved. It would be better to recognise the fact that these direct taxes cannot reduce inequalities of income and wealth in this country, and therefore to justify these taxes only from the point of view of raising revenue. Otherwise, great hopes will be raised, and in fact such hopes have been raised in the past, in the minds of the people in the name of achieving equity through steeply progressive taxation which in fact has not been achieved. Hence instead of raising expectations and dashing them to the ground without achieving the intended objective, it would be better to admit the fact that direct taxes in the Indian situation cannot achieve the objective of reducing inequalities of income in the country.

TABLE IV

Arrears of Collection of Direct Taxes

(Rs in crores)

Year	Income Tax	Wealth Tax	Estate Duty	Gifts Tax
1970-71	738.77	12.01	15.71	2.38
1972-73	790.02	25.46	15.29	3.61
1973-74	815.60	29.03	15.75	3.60
1974-75	935.96	75.56	13.86	5.01
1975-76	993.79	83.38	15.31	5.22
1976-77	873.56	52.75	15.56	5.90
1977-78	989.87	56.51	17.52	6.97
1978-79	910.64	184.08	17.11	17.72
1979-80	1011.85	180.53	17.23	15.77

Source: Anil Kumar Jain, *op. cit.*

Alternatively, one might argue that we should reform the direct tax structure in such a way as to cover more people, to plug legal loopholes not only to prevent evasion of tax payment but also to reduce tax avoidance through tax planning.

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Oil Imports : A New Development

FOR THE first time, India has been able to enter into a formal long-term agreement with a West Asian country for the supply of crude oil. Hitherto, understandings had been reached for regular crude imports from some of the countries, but no long-term written arrangements had been made.

The agreement signed is with Saudi Arabia which will be supplying crude oil at the rate of two million tonnes per annum from June this year to the end of December 1984. The price to be paid for this crude will be governed by the OPEC formula and the supplies will be on government-to-government account. No deferred payment is involved in this transaction.

India has been importing crude oil from Saudi Arabia on two accounts. EXXON has been supplying 1.4 million tonnes of light Saudi Arabian crude to the Hindustan Petroleum Refinery at Trombay. Imports of the order of 1.25 million tonnes have been received during the past 12 months from Petromin. The new deal will not affect imports from EXXON. Petromin exports, of course, will be replaced by it.

India, thus, has been able to ensure regular supplies of Saudi Arabian crude to a sizeable extent till the end of 1984. Imports from EXXON have to be decided upon from year to year. This is considered a significant development in view of the recent cuts in crude oil production effected in West Asia as a sequel to which the spot prices in the global markets have gone up to the official OPEC rates.

India will be importing during the current calendar year about 14.5 million tonnes of crude oil and six million tonnes of refined products. Imports at this level will be somewhat lower than in the recent past. Sizeable increase in domestic production has facilitated this. The total domestic production during the current financial year is anticipated to be between 20.5 and 21 million tonnes, of which the contribution of the Oil and Natural Gas Commission, even on the basis of the scaling down of the original target by 1.3 million tonnes, will be around 17.9 million tonnes. The output from the offshore Bombay High will be about 12.1 million tonnes. Approximately 5.8 million tonnes will accrue from ONGC's on-shore concessions in Upper Assam and Gujarat. Oil India will be yielding about three million tonnes from its Upper Assam concessions.

The Soviet Union will be supplying this year 2.5 million tonnes of crude oil and 2.25 million tonnes of refined products—kerosene and diesel oil. Both Iraq and Iran will make available around 3.5 million tonnes of crude oil each. One million tonnes will be imported from the UAE and 0.5 million tonnes each from Nigeria and Venezuela. Besides, the 1.4 million tonnes to be received from EXXON, Saudi Arabia will be providing approximately 1.2 million tonnes of crude oil.

As a result of the deal with Saudi Arabia, the crude oil imports for the current calendar year have been fully tied up.

Public Sector Exports: "Shocking" Shortfall?

A REPORT in the *Economic Times* of May 18 from its New Delhi Bureau said that the public sector undertakings "have let down the country on the export front in the engineering field" since, against the target of Rs 120 crores for 1981-82, these units could export goods valued at only Rs 70 crores. The report added that "the dismal performance of these units as a whole has come as a shock to the Union Government which was expecting a better show from them". One can understand the Government's disappointment with this record. But was this entirely unforeseen that it should have come as a "shock"? Is the Government really so sensitive to the fluctuations in export earnings that a mere decline of Rs 50 crores should upset it to such an extent as indicated in the report of the *Economic Times* ?

Detailed statistics are not yet available to ascertain which are the public sector units whose export performance has not come up to expectations. It is however important to note that much of the success in export promotion of the public sector units in the engineering field has been due to the larger offtake by Russia. For example, according to Dr Victor L. Korneev, during the two-year period of 1979-80 and 1980-81, the value of heavy engineering exports of public sector enterprises reached "a substantial amount" of Rs 133.7 crores of which over 80 per cent were accounted for by the three units, namely, BHEL, HEC, and MAMC. He revealed that the total value of export earnings by the public sector corporations, set up as a result of Indo-Soviet cooperation, increased in 1980-81 to about Rs 277 crores. How then did the report in the *Economic Times* say that during 1980-81, the export of public sector units declined to Rs 63 crores from Rs 110 crores in 1979-80 ?

R. J. Venkateswaran writes from Calcutta

The total earnings of foreign exchange of all the public sector enterprises together went up from Rs 1911.28 crores in 1979-80 to Rs 2211.91 crores in 1980-81, an increase of 11.7 per cent compared to 4.1 per cent in the preceding year.

This performance may seem impressive but the country would like to know to what extent these units have succeeded in diversifying exports and in developing new markets. According to the Engineering Export Promotion Council, in 1979-80, out of the total engineering exports, 27.10 per cent (24.98%) went to South-East Asia, 23.59 per cent (23.52%) to West Asia, 18.76 per cent (20.98%) to Africa, 5.5 per cent (6.52%), to East Europe, 11.78 per cent (13.38%) to West Europe and 10.33 per cent (8.11%) to America. Brackets refer to 1978-79. What was the share of the public sector in the exports ? It will be worthwhile to find out in which regions and countries the public sector enterprises were able to show better export performance in 1981-82 as compared to the previous year.

Many Constraints

The working of several public sector units continues to be severely handicapped by many constraints. As a result, they incur heavy losses and are unable to step up production and exports. For example, about the HEC, Ranchi the annual report of the Union Ministry of Industry for 1981-82 says that its low level of production has been due to "inadequate and interrupted power supply, serious industrial unrest and consequent low productivity, financial constraints aggravated by continued heavy losses, high inventories, and systems deficiencies which also reflect managerial shortcoming". About Jessop and Company, the report says that its loss of Rs 11.65 crores was due to the acute power shortage, non-availability of matching steel and poor productivity. Many other public sector units also continue to suffer from such handicaps. The Government, therefore, should make more serious efforts to tone up their working. It should also be more realistic in fixing the export targets and watch their performance closely so that it may not have to experience the kind of "shocks", as mentioned in the report of the *Economic Times*.

The Government should enlighten the nation not only about the export performance of the public sector units but also about their role in import snbstitution. According to Dr Victor L. Korneev, "their transformation from major importers of engineering goods to one of the major exporters is really impressive". But the fact is that they will continue to remain major importers although the composition of these imports will change.

Verdict Against Golden Bengal

"We firmly believe", said the manifesto of the Left Front, "that the people of West Bengal will leave no stone unturned in the coming election battle for a resounding victory of the Left Front". The results have fully justified the Front's faith in the people. Though it suffered a few major reverses, it has every reason to feel gratified by the tremendous response it has received from the masses. Both in the rural and in the urban areas, the Front's candidates, on the whole, secured an impressive number of votes. indicating the electorate's approval of the Front's performance as well as its programme for the future. The Front received substantial support not only from peasants and workers but also from intellectuals and the middle classes. The credit for the Front's spectacular success should go largely to Mr Jyoti Basu.

As the Chief Minister, Mr Basu provided a strong and stable Government for five years and built up a reputation for incorruptibility. Unlike in several States where corruption and favouritism became rampant at every level of administration, Mr Basu was able to show that he could govern without resorting to the kind of unfair and undemocratic tactics adopted by his counterparts elsewhere. Moreover, Mr Basu vigorously championed the cause of national integration and succeeded in maintaining harmony among the different communities and linguistic groups. Apart from Mr Basu's performance, the Left Front's efficient organisation and the deep dedication of its workers also contributed a great deal to its victory.

Even though the Congress(I) at no time had any chance of capturing power in West Bengal, it could have certainly secured more seats and emerged as a powerful opposition if only it had fought the election with greater courage and confidence. But it wasted a good deal of valuable time by concentrating attention on the irregularities in the electoral rolls and by trying to postpone the poll, as far as possible, on some pretext or the other. And when it began its election campaign in right earnest, it failed to make an imaginative appeal to the electorate. It told them about the misdeeds and mistakes of the Left Front and pointed out how the administration had made life miserable for the common man. It said that power cuts often lasted for 24 hours, making children study by candlelight in the heat. It revealed that load-shedding had resulted in a loss of Rs 5,000 crores in the jute and the engineering industries. It told the people that over 10,000 murders had gone unpunished in the last five years, that anti-social elements ruled the streets, and that Government sponsored bandhs were celebrated like festivals. The Congress(I) referred to the terrible over-crowding in trams and buses, which was mainly attributed to the agitation by trade unions and it appealed to the people to join hands in building "a golden Bengal again".

Negative Aspects

Why did not the publicity campaign of the Congress(I) have desired impact? Probably, this was due to the fact that, apart from its late start, the Congress(I) focussed on the negative aspects rather than on the positive ones. It highlighted the hardship to the people caused by load-shedding, but did not explain how it proposed to solve the problem in the short-period. Nor did it spell out in some detail its concept of "golden Bengal". The Congress(I) told the electorate: "You have a choice between darkness and discomfort or light and leisure". The reference to light was understandable but where was the need to mention about leisure? The electorate must have felt that they were already having plenty of leisure and that, if more was desired, it would be easier to get it from Left Front Government than from the one led by the Congress(I).

Although the performance of the

Congress(I) in the polls was disappointing from the point of view of the number of voters polled and seats won, it did succeed in scoring impressive victories in some constituencies. It was no small achievement to have unseated the Ministers who were in charge of important portfolios like Finance, Food, Transport, Small Industries, and Information. Particularly significant was the defeat of Dr Ashok Mitra. Next to Mr Basu, he was the most powerful Minister in the cabinet: he, in fact, dictated the economic policy of the Left Front. Although the broad outlines of this policy were laid down by the Left Front Committee, it was Dr Mitra who gave it proper shape and directed its implementation. His knowledge of economics and high finance enabled him to wield greater influence in the cabinet and in the party than his ministerial colleagues. His failure to get elected is, indeed, a blow to the prestige of the Left Front.

Appropriate Lessons

It remains to be seen how far the Left Front and the opposition parties would learn the appropriate lessons from the verdict of the electorate and change their style of functioning. The Front should realise that, though the people have reiterated their confidence, it should not take it as a complete endorsement of its record in office. It should examine why many of its stalwarts failed to win and why large sections of the enlightened electorate of Calcutta voted against it. It should give more attention to improve the administration and give up its agitational approach. It is not enough if the Chief Minister maintains discipline in the cabinet. He should be able to enforce it in the administration especially in the power plants and the transport undertakings where chaotic conditions continue to cause enormous hardship to the people. Ministerial stability is not an end in itself but only a means to an end, namely, an efficient Government which will respond promptly to the people's grievances. The Left Front, therefore, should conduct itself in such a way as to fully justify the confidence that the electorate has placed in it.

The Congress(I) should sink its petty differences and play a constructive role in providing an effective opposition. It should find out why its appeal to the people to build a "golden Bengal" did not evoke adequate response. If it displays greater discipline, dedication and determination, it can certainly look forward to far better prospects in the coming years.

Aid Prospects

EVEN THOUGH assistance to India from the International Development Association, the soft-lending affiliate of the International Bank for Reconstruction Development (World Bank),may go up this year from abour $850 million to around one billion dollars, the funds available for the coming year under the aegies of Aid-India Consortium are likely to dwindle substantially.

The former development follows the abandonement of the "proportionality" rule by some countries, including Britain, under which they contributed to the sixth replenishment of the IDA in proportion to the drastically reduced US contribution. Several countries have indicated that they would start a parallel "special account" made up by a difference between their contribution to the IDA and what they had originally committed. Some assistance from the special account is expected by India.

Officials of the Union Finance Ministry are currently on rounds of the capitals of the members of the Aid-India Consortium, which will be meeting in Paris in the middle of next month, to impress upon them India's dire needs of assistance. Yet commitment for the next year, it is feared, may go down substantially, especially from the IDA, because of two factors. First, some donor countries are understood to have decided to cut down their bilateral as well as multilateral commitments in view of the difficulties that their economies are facing. Second, the tight resources position of the IDA and the change in the policy of lendine by the World Bank to make Africa rather than Asia, particularly India, the main beneficiary of its assistance will restrict fund flows to India. The World Bank has urged countries such as India to take recourse to what it calls "co-financing", i.e. combining of soft credits from it with commercial credits from the world money markets.

The World Bank, of course, is trying to replenish its funds to the extent possible, but the future of the IDA has become uncertain because of the US decision to stagger its contribution to the final year of the sixth replenishment over two years. Problems also remain in respect of the seventh replenishment of the IDA.

The Government of India has expressed deep concern over these developments and it is trying to impress upon the donors that unless India's needs for foreign exchange are not met more adequately, it will come under increasing pressure to reverse the policy of liberal imports of capital goods, technology and raw material which has been followed for the past five years. The current account deficit in 1981-82 is estimated at around Rs 3,000 crores.

Change in Policy

Lower assistance may as well necessitate a change in the policy of awarding contracts to foreign companies for major projects. That such a development is a real possibility is evident from the decision to implement the Daitari steel plant in Orissa on the pattern of the Visakhapatnam steels works, following the revocation of letter of intent granted last year to Davy Mckee to put up this plant on a turnkey basis.

In 1981-82, IDA contributed as much Rs 1,085.25 crores or 45.91 per cent of the total of Rs 2,363.82 crores gross aid committed to India. Assistance from the World Bank accounted for another Rs 555.60 crores, or 23.48 per cent of the total. Thus, collectively the World Bank and the IDA provided nearly 70 per cent of the total aid last year. This figure is now in jeopardy despite the assurance by the World Bank Presjdent, Mr A.W. Clausen, that attempts would be made to make up shortfalls.

Sino-Indian Talks

MIRACLES WERE not expected to happen at the latest round of the Sino-Indian talks held in New Delhi last week. The narrowing down of differences over the border issue, which triggered off an armed conflict between the two countries twenty years ago, could have been a significant achievement. Even this has eluded. Differences continue to be wide on the issue. Every sector of the Sino-Indian boundry has been disputed. What has been agreed to is that if the border has to be settled, all the related disputes will have to be resolved together. The two sides continue to search for "centre of the maze" in which the solution lies. New Delhi confabulations are to be resumed in Beijing, at a date yet to be decided, at the present official level.

Some progress, of course, has been made in the economic sphere. It has been officially announced that India will assist China in oil exploration. A delegation of oil experts from India would visit China soon for this purpose. Another Indian team will be going to China to study its railway system with a view to assessing its requirements which can be met from India.

In return, China will be sending an agricultural experts team to study wheat breeding and dairy development in India. Another Chinese delegation, comprising scientists, will be visiting India to study other aspects of science and technology for mutual cooperation. The two countries have as well agreed to exchange delegations to study the lacquer industry.

The Chinese delegation had discussions with the Federation of Indian Chambers of Commerce and Industry, besides the various economic Ministries of the Union Government. Following these discussions, it has been indicated that there are possibilities of exporting to China a wide range of items, including power equipment, farm machinery, rice milling machinery, scooters and earth-moving equipment, sugar, cotton, iron and steel and unmanufactured tobacco. China can supply to India such items as silk, chemicals, non-ferrous metals, mercury and antimony.

It was felt that the two countries could set up joint exploratory groups to identify more products and also projects for plan development of bilateral trade, which currently aggregates to around Rs 40 crores.

The Indian industry has offered to join hands with Chinese enterprises in setting up projects in China as well as in the third countries. The likely fields where such joint ventures could materialise include textiles, engineering, chemicals, paper, fertilisers, insurance and shipping.

The Chinese delegation stressed the need for exchange of technical know-how between the two countries for mutual benefit.

Cultural relations, it has been proposed should be extended further. It was agreed to exchange data on TV and broadcasting material.

Greater cooperation in the economic and cultural spheres should help soften the attitudes on the two sides. But normalisation of relations primarily depends on the settlement of the border dispute which, apparently, is not in sight at present.

Model for Watershed Management

A REFERENCE to the constructive approach adopted by the Agricultural Finance Corporation (AFC) in tackling the problem of drought and floods in various parts of the country was made in these columns sometime ago (December 18, 1981). It is heartening that a similar innovative approach has been made by AFC in watershed management in the hilly terrain of the north-eastern region.

The North-Eastern Council had entrusted to the AFC, about three years ago, the preparation of a model watershed management project in the Barak watershed of Manipur. Watershe management, it may be pointed out, i an integral part of development effort in a unit area within a watershed of stream or a river. The Barak system o rivers passes through Manipur, Nagaland, Mizoram and Assam before crossing to Bangladesh. Obviously it would be of great help if the water resources o this system are suitably harnessed to meet regional needs. Here AFC rightly felt that for proper utilisation, the watershed system should be divided into smaller units of 2,000 to 4,000 hectares. A small watershed, one of about 2,289 hectare along the Tuijang distributory, was, therefore, selected for the development project to act as a model for similar watershed projects. The area consisted of two villages, namely Thanlon and Songpekmun, nearly 210 km from Imphal.

T.T. Vijayaraghavan writes from Bombay

The area is essentially a hilly terrain and the undulating nature of the land with slope varying from 10 per cent to 200 per cent restricts the scope for settled agriculture without land development measures to a great extent. The potential for agricultural development, however, is good. The way of the inhabitants is also conducive to the development of animal husbandry programmes as an allied activity. The catchment area has diversified forest species and bamboo is widespread. The terrain is also suitable for plantation crops like coffee. It offers scope for setting up of plantation and forest based industries subject to development of some basic infrastructural conditions.

The AFC, in close collaboration with the State Government's counterpart team, collected basic data and maps for a preparation of a plan, the object being to work out a development project model for the watershed covering agriculture and other allied activities based on improved and appropriate level of technology. Based on the findings of the socio-economic survey, topographic survey and other hydrological studies, project report was prepared in December last.

The strategy of development envisaged in the pilot programme is to optimise available land and water resources with a view to bringing about settled and sustained agriculture for those who have been practising shifting cultivation for ages and are below the poverty line. The AFC study revealed that 247 tribal families in the two villages selected ought to be rehabilitated in a planned manner. A package programme for integrated development has, therefore, been suggested. It consists, among others, of development of terraced lands to the extent of 40 hectare with irrigation facilities, introduction of settled agriculture with appropriate package of practices and introduction of horticulture by way of citrus plantation in 150 hectare of land. Along with development effort envisaging improved agriculture and allied activities for the beneficiaries, the programme tries to reduce the hazardous soil losses from the area.

Infrastructure Facilities

Development of infrastructure facilities in and around the project area, the study rightly points out, is essential to uplift the socio-economic condition of its people. Of all the infrastructure facilities necessary in the project area, improvement of communication calls for prior attention. The total cost of the project is estimated to be Rs 86 lakhs of which Rs 19.40 lakhs is capital expenditure and Rs 66.6 lakhs is the recurring cost respectively.

The success of the project would obviously depend very much upon the careful implementation of the programme. The report suggests that it should be implemented by the soil conservation department of Manipur State or a separate authority may be set up for the purpose. It would be monitored by the Project Planning and Monitoring Cell of the North-Eastern Council. It also underlines that a lot of extension work should be done for implementing the project because people in the area may not be aware of the importance of the development programme. The project could in short be a pace setter in evolving models for development in watershed programmes and the progress made here will therefore be watched with interest.

Electronic Voting in Kerala

S. Viswanathan writes from Madras

For one familiar with the coalition politics of Kerala and with the systematic alignment and re-alignment that have contributed to the rise and fall of over a dozen of ministries, the expectations were modest. In the last 25 years, the State has gone to the poll for 11 times : thrice for the Parliament and eight times for the assembly. And so what was new was not the promises on holding together by both the "fronts": the advent of the electronic voting machine was the only thing new about this election.

The Election Commission succeeded in experimenting with electronic voting machine for the first time in 50 polling booths of the Parur constituency in Kerala. The Commission could not have chosen a more suitable test constituency. Kerala with the highest percentage of literacy in the country is quite fitted to understand the intricacies of this. The voter turnout in Kerala is also invariably very high. There were constituencies like Kottarakara, Haripad and Mavelikkara where over 85 per cent of the voters exercised their franchise. Forty-two machines were supplied by Bharat Electronics, Bangalore and eight by Electronics Corporation of India, Hyderabad. The Chief Election Commissioner, Mr S.L. Shakdher took keen interest in the development of this and has been working in close cooperation with ECIL for some two years. Initial reports on the performance of these machines were quite favourable. These were easy to operate and the results could be computed with speed. Of course, as could be expected, any such innovation was bound to meet with some opposition or other. An election agent of a CPI candidate filed a writ petition in the Kerala High Court challenging the introduction of the electronic voting machine on the ground that sufficient time was not given to educate the voters on the functioning of the machine which might result in errors affecting the poll. Justice K. Sukumaran of the Kerala High Court dismissed the petition holding that it would not be maintainable in view of the bar under Article 329B of the Constitution which held that no election to either houses of Parliament or the State Legislature can be called in question except through an election petition.

And so the mid-term elections provided the occasion for one change which appeared interesting to the average voter of Kerala tired of the frequent calls to try his luck with a new coalition Government.

Kerala provides the most interesting example of alignments of political parties and groups to fight elections. The battle lines were drawn this time between the United Democratic Front led by Congress(I) and the Left Democratic Front led by the CPI (M). There were little over 13 million voters. 699 candidates contested the elections for 140 seats. The UDF held 10 partners which included the Congress(I), Congress (Antony Group), Indian Union Muslim League, the two factions of Kerala Congress, a break-away group of Janata, Socialist Republic Party, a faction of Revolutionary Socialist Party and several smaller groups. In the LDF, CPI(M), CPI, Congress(S), Janata, RSP and AIML were the major constituents. The CPI(M) contested 60 seats which included nine independents sponsored by it. For the UDF, Congress(I) fielded the largest number of candidates of 35. The BJP tried to kick up a lot of dust by talking of a third front. The strong base of RSS in certain pockets and the several bitter communal clashes during the tenure of the CPI(M)-led ministry under E.K. Nayanar helped it gain some public sympathy. Among the parties, it fielded the largest number of candi-

"The scent of resurgence in the economic environmen guides us to the path of high endeavour, to pastures fresh and green

Excerpts from the Statement made by Mr. K.B. Lall, Chairman, on the occasion of the Fiftysecon Annual General Meeting of Guest Keen Williams Limited held in Calcutta on 21st May, 1982

It is my conviction that your Company's performance in the year under report will be adjudged to be satisfactory. Fortunately, the severity of power shortage was not so intense as in the earlier years. There was marked improvement in the functioning of the economy's infrastructure. The position in regard to other constraints was also comparatively easier. The efforts to secure better capacity utilisation and step up the output to match rising demand have met with some success. In consequence, the overall Company results, both in terms of turnover and pre-tax profit, were higher than in 1980, by 24% and 41% respectively

Based on better trading results your Directors have recommended a dividend of 16%, and improvement by two percentage points over last year. Your Directors have also recommended the issue, subject to various statutory approvals, of Bonus Shares in the proportion of one for three existing equity shares The twin recommendations have been widely welcomed I am sure these will meet with your approval.

As we complete 60 years of our life, it is time to reflect on our achievements and reset our sights in the context of the nation's response to the challenges that confront its economy over the eighties.

Despite our modest beginnings we have inherited a noble legacy. At the inception of our operations in 1922 we began as suppliers to the Indian Railways which at that point of time were imparting a crucial impulse to the national economy's growth. Since then the national economy is transformed beyond recognition. With it we too have undergone a tremendous transformation. Our products have multiplied, our talents have acquired new dimensions, and our corporate urge to serve the sectors that subserve growth finds expression in the contribution we make to the rapid development of the electrical, transportation and construction industries.

We manufacture the widest range of stampings, laminations and metal pressed components in the country. In pioneering these technologies many many years ago, we were developing our potential to serve the electrical and automotive industries then in their infancy. We have maintained the thrust of technology through the development of cost effective tooling and introduction of sophisticated techniques to facilitate miniaturisation. We have designed and developed three-dimensional close tolerance, deep-drawn, metal pressed components; these have met the requirements of the automotive sector in a variety of ways.

In 1952 we pioneered the manufacture of special alloy steels through the electrically melted arc furnace route. We were the first to produce sulphurised free cutting steel and later developed the leaded varieties entirely with our own technology. Over the years we have expanded our capacities and upgraded our technical capabilities to make fiftyfive thousand tons of quality alloy and special steels to meet the exacting requirements of our discerning customers And yet owing to persisting power shortage our output has woefully lagged behind targets and we have consistently failed to reap a reasonable return from the large investments made in our Steel Division

Forging has been a traditional product e for your Company. In the earlier ys, GKW played a significant role in development of railway nsportation, and the countrywide twork of the Indian Railways relied on W points and crossings, crossing epers, wagon forgings and track cessories.

Not surprisingly we have been known our skills in the fastener trade. GKW s the first producer in the country of gh tensile and special configuration steners out of high alloy steels so evant to the current emerging tomotive scene. GKW pioneered the e of galvanised fasteners in India, and major electrical transmission stribution system and the fast-growing lway electrification schemes rest on r solid support.

Our youngest operating division ecialises in the manufacture of stom-built special purpose machines d machine tools. Over the past few ars it has built up its reputation for signing and fabricating complex uipment. We expect to deepen and den these skills and succeed in the ort to meet the emerging needs of dustry for non-standard machinery, d thus save valuable foreign exchange the country.

We do not intend to repose on our urels. The scent of resurgence in the onomic environment guides us to the th of high endeavour, to pastures fresh d green.

For some years now every conceivable gredient for sustained advances in ny directions has seemed to me to ve been within the nation's easy reach. d yet from year to year the portunities to choose and mix these gredients in the right proportion so as guarantee a forward thrust have been ssed. At long last a national consensus accelerating the pace of economic vance and social change, including adjustment of priorities and policies quired to achieve it, is steadily nerging on the horizon. If I read it rrectly, the main objective is to ncentrate on resource development so at it becomes easier to combat poverty d build-up the purchasing power of poor. In pursuing it industry has a ucial role to play. To my mind the ligations that devolve on industry clude first, stepping up the rate of its owth to around 10% per annum; cond, ensuring that it is internationally mpetitive in terms of cost and quality; rd, broadening its base and taking the dustrial process out of urban areas into countryside.

It is within the frame of these peratives that your Company has been oking for opportunities to diversify its ucture and evolve its plans for the ntribution it can make to the country's dustrial advance. We have identified greenfield site at mauza Kanhe in a ckward taluk of State of Maharashtra ere we have acquired one hundred d twenty acres of land and obtained a tter of Intent for manufacturing tomotive press components of high phistication. The equipment we intend instal will be the most modern ailable, and the process techniques we opose to employ will be cost mpetitive with the best anywhere in world.

We are also proposing to put together roject to set up a new unit to produce ecision closed die steel forgings. The nt will be installed in close proximity to the customer base. We will be selecting the equipment carefully, looking for processes and techniques that could have a bearing on cost and quality, and aiming at widening the product range.

Although conscious of the mercurial characteristics of some of the variables in our politico-economic environment we recognise the strategic imperative of deepening our interest in technology intensive sectors. We are vigorously exploring several interesting possibilities and seeking investment options in the promising area of automotive components and custom built equipment. What holds our diverse endeavours together and lends direction and perspective to your Company's search for its corporate destiny is a new spirit of enterprise and innovation. It is through managerial interaction with current challenges and compulsions that we expect to succeed in enhancing your Company's competence to contribute to industrial growth and technological advance.

The projects already on the anvil involve an investment of around Rs 50 crores of which Rs 27.50 crores are proposed to be raised through internal generation and loans from development banks and institutions and Rs 22.50 crores by way of convertible debentures. You have before you a resolution empowering your Company to raise the required capital. It is our intention to issue convertible debentures through prospectus with substantial preference allocation in favour of Company's resident equity shareholders. This would enable you to participate in the Company's growth and prosperity. I trust you will also welcome our proposal to broaden the base of the Company's shareholding by throwing open a portion of the issue to the public so that new investors are also able to invest their savings profitably in your Company's expansion. You will notice that with the completion of the process of converting debentures to shares non-resident shareholding will come down from 59% to 45%.

The relative reduction in the financial stake held by our international associates, Guest Keen & Nettlefolds, does not reflect any diminution of interest on their part in GKW's future fortunes. In fact we have received wholehearted co-operation from them in working out the new projects we are now poised to launch. They share our aspiration to update production processes and enter high technology areas. We have continued to enjoy unrestricted access to their accumulated knowledge and skills. They have also offered to share with us the information they gather for their own use on the latest technological developments in more advanced economies; as also the research and development work they undertake to formulate more effective technologies for the future. I take this opportunity to thank them for their co-operation, for their help so generously given, and for the opportunity to work together on introducing and adapting more advanced techniques.

It will be an error if while focusing attention on future goals, we overlook persisting weaknesses in our industrial performance. Fortunately, there is evidence of a growing concern over the declining trend in the ratio of output to capital. To reverse this trend has become a matter of great urgency. That is why a beginning to this end has been made by designating the current year as the year of productivity. However, recent measures to restrict credit to productive sectors have led to a contrary consequence. Electricity Boards are unable to pay for their requirements, aspiring truck owners cannot fund their purchases; farmers with need for tractors have limited access to cheap loans. In turn the electrical and transportation industries to whose needs for industrial intermediates we cater have experienced difficulties in maintaining a smooth flow of payments and orders. As a result of these chain reactions, working capital has been under severe pressure and industrial organisations such as ours have had little option other than to reduce output and slacken the effort to maximise capacity utilisation. It looks as though the economy is moving into the reverse gear. This is of course contrary to the declared objectives. I imagine remedial measures will soon be taken to help re-build the tempo for a meaningful productivity movement.

The word 'productivity' means different things to different people. In its most easily understood form in the factory it represents higher machinery utilisation ratio and lower machine down time periods, as also more economical use of raw material and tooling. There are other areas of higher management where optimisation of inputs is vital to secure higher productivity at the plant level. For instance, it must be ensured that there are zero defects, there are no supply failures, the demand is both anticipated and stimulated, and uninterrupted cash flow is maintained to avoid interruptions on the production line. These are objectives that can be secured primarily through efficacious co-operation and co-ordination at all levels and between all inter-acting functions. It is only through team work that optimum results can be achieved.

Within the GKW family we have always paid special attention to cultivate this team spirit. I consider it a privilege to be able to look back at GKW's achievements over the last 60 years and have the opportunity to express on your behalf, on behalf of my colleagues and myself sincere appreciation to all members of the GKW family, past and present, for their dedicated service which has made it possible for the Company to arrive at its present position in the national firmament. A special word of thanks is due to them for standing by the Company through thick and thin.

(This does not purport to be a report of the proceedings of the Annual General Meeting)

Meridian/GKW/11

GKW

dates of 64 : It brought in BJP stalwarts like A.B. Vajpayee and L.K. Advani to campaign for these candidates. But it drew a miserable blank. It lost in all the constituencies and in all but one of its candidates forfeited their deposits.

Mrs Gandhi addressed nearly a hundred meetings in a whirlwind campaign. The turnout in these was reported to be quite large. The LDF on its part brought in Jyoti Basu who despite the pre-occupation with the elections in West Bengal, was keen on another CPI(M)-led ministry to lend support for his struggle against the Centre and addressed several meetings.

The Final Tally

In the final tally the UDF won 77 seats with Congress(I) bagging 20, Congress (Antony Group) 15, and IUML 14. The LDF won 63 seats, with CPI(M) winning 26 seats, CPI, 12 and Congress(S) 7. This is certainly an improvement for Congress(I) led by Karunakaran, who formed a ministry with just 70 members to support in December last. And it had a precarious existence, with the support of the Speaker. In the long history of coalitions since 1960, there was remarkable stability during 1970-77 when the United Front was headed by C. Achutha Menon. This stability helped the administation concentrate on serious economic issues. The advent of Keltron is the richest fruit of such a stability. A lot of beneficial social legislation was also taken up in this period. Achutha Menon's personality was also a great help. He maintained a modest profile which helped him take along the constituent parties of the front.

The course is by no means easy for the UDF led by Karunakaran whose reputation was considerably tarnished by what was known as Rajan Murder Case, during his short-lived tenure as Chief Minister in early 1977. He has also to contend with the highly individualistic A.K. Antony who has a reputation for taking rigid, un-compromising stands. In 1978, for instance, Antony resigned as Chief Minister protesting against the decision of the Congress(S) leadership to support Indira Gandhi in the Chickmagalur bye-elections to Lok Sabha. In 1979, the withdrawal of support by the Congress led by Antony brought about the downfall of the Mohammed Koya Ministry. Again in October 1981, the LDF Ministry headed by E.K. Nayanar collapsed when the Congress under Antony withdrew its support. When the High Command protested and advised Antony to continue to support the Marxists, Antony preferred to break away and form yet another regional faction. There are as many as four splinter groups of Congress in the UDF and two in the LDF. The Indian Union Muslim League is also a powerful faction in the UDF having 14 seats out of the 77. Even the smaller splinter groups like the breakaway Janata, and NDP can bring about a downfall of UDF ministry. Karunakaran will, therefore, have to enusre absolute cohesion among the constituents and avoid the type of big brother attitude that was instrumental in the downfall of the Communist-led coalitions previous.

Inordinate Delays

Despite its high literacy and large skilled workforce, Kerala has continued to thrive largely on traditional occupations like plantations. The several large public sector enterprises that have been set up in the State took inordinately long time to reach the level of production. The Cochin Shipyard, for instance, took over a decade and the Vellur newsprint project has also been bedevilled by delays in construction caused by industrial relations problems. The political leadership has been content so far in providing some palliatives for such deep-rooted malaise. Keltron holds lot of promise with its Chairman K.P.P. Nambiar, a well-known Electronics Engineer, talking of a rupee hundred crore turnover in mid-Eighties. An interesting aspect of this is the scope for dispersed development for a skilled workforce. Resources should not be a constraint with the substantial flows of remittances from Keralites settled abroad. In recent years Gujarat is making good use of such remittances. The Kerala leadership should get a respite from exercises on sheer survival of the ministry, and endeavour to function effectively towards economic and social development.

Powder Metallurgy

The Soviet Union has made available to India some samples of metallurgical powder, a new area of cooperation between the two countries, which has great significance for industrial development.

Powder metallurgy is a new branch of technology and raises by five to six times the wear-resistance of parts of cutting tools. The production of parts out of various powder combinations makes it possible to impart such properties as high-temperature strength, wear-resistance and light weight. The new method also raises the electromagnetic properties of parts, reducing electric power consumption by 20-30 per cent.

The basic material utilised in this process is iron powder, which is used in a "pure" form or in combination with other metal powders. Less labour-consuming, the articles made of this powder are more than three times cheaper than those made of rolled metal. Powder metallurgy makes it possible to regulate the porosity of metals and to produce composite materials of heterogenous metals and other materials, inter-metalloid and other compounds in commercial qualities.

A protocol signed in 1980 between India and the USSR envisages identification of specific projects in the field of powder metallurgy involving several institutions for a time-bound programme of its development. The cooperation will cover a wide range of practical application of powder metallurgy such as development of materials for the manufacture of brake pads, machine-tool bits, etc. The two countries have agreed to cooperate in basic research such as the study of the internal influence of electron structure on the behaviour of materials. The protocol envisages, apart from joint work, exchange of delegations and training of personnel in this field.

Special units dealing with powder metallurgy are already doing good work in the IITs of Bombay and Kharagpur. The USSR had assisted India in setting up the units in this field.

Window on the World

Dim Prospects for World Economic Revival

V. R. Bhatt
London

THE ECONOMIC Summit of the seven major industrial nations, the USA, Japan, West Germany, France, Britain, Italy and Canada, in Versailles from June 4 to 6 appears preordained to be a cosmetic exercise, with no solution for the two problems facing the West, the major one of American high interest rates and the hurtful one of the continuously growing surpluses in Japan's trade with West Europe and North American countries. The IMF and World Bank meetings in Helsinki in the second week of May have projected the tightening up of credit to the non-oil developing countries which are running a 100 billion dollar deficit of which 40 per cent accounts for interest payments.

The Summit will be the occasion for President Reagan's first visit to Western Europe where Reaganomics are widely considered the obstacle to an economic revival. It will also generate another attack on Japan's economic policies which are blamed for the pressure on West European and American key industrial sectors, particularly automobiles and electronics. The Summit, though not concerned directly with the Anglo-Argentinian conflict over the Falkland Islands, is unlikely to ignore it as it has in some way or other involved politically and economically Britain's NATO allies.

The indications of the differences that the Summit is unlikely to resolve were given at the meeting of the Finance Ministers of the 24 members of the OECD, the rich countries' organisation, on May 11 and 12 in Paris. American high interest rates caused by the soaring US budget deficit dominated the meeting which was in the nature of a prepratory exchange of views for the Summit. The "star" of the meeting, Mr Donald Regan, the US Secretary of State for the Treasury, had anticipated what he described at the meeting as "the impressive number of countries wanting action to reduce the American deficit". Speaking in London before the meeting, he forecast a sharp drop in the interest rates and a lower dollar next year. This was because President Reagan had endorsed a new budget drawn up by the Senate Budget Committee which proposes by substantial cuts in defence to reduce the deficit from $132 to $105 billion. He was optimistic that the US economy would emerge from the recession in the middle of this year mainly as a result of pushing ahead with the programme of tax cuts which would put back $32 billion into the economy as incentives.

Confident Prediction

This confident prediction, however, did not impress the meeting which had its eyes on other developments. For instance, the latest Washington figures indicate further deepening of the recession with unemployment (from closing of factories and businesses) rising to a post-war high of 9.9 per cent, apart from 13 million blacks and others not included in the unemployment list because they have given up applying for jobs. The official index of economic indicatoss dropped for the tenth consecuitve month in April. There is also the opinion of the Group of Thirty which consists of some of the most eminent bankers and economists chaired by Dr Johannes Witeveen, former Managing Director of the IMF, and including Anthony Solomon, President of the US Federal Reserve Bank. It advised President Reagan on May 6 to change his fiscal policy, to intervene in foreign exchange markets and devalue the dollar. These measures were seen as essential to bring down world interest rates. They said that the American high interest rate would stifle world economic recovery as they would reduce consumer demand on the one hand, and investment in industry or business, on the other. It was asked why should any company in the US risk its money when it could earn more by putting it into money markets?

Gloom Ahead

The IMF assessment of the world economic situation and the fears expressed by the Group of 24 developing countries' Finance Ministers, representing 116 countries of Asia, Africa and Latin America, at the Helsinki meeting of the Interim and Development Committees of the IMF, are further indication of the gloom ahead. The forecasts of IMF economists project only a marginal growth among Western economies this year and a small increase in 1983 inadequate to help a general recovery. Policy papers drawn up by the IMF insist that an improved balance between fiscal and monetary policies, particularly in the USA, is necessary for a sound non-inflationary recovery in the world.

The Group of 24, at a meeting in Helsinki, attributed the worsening international situation to the monetarist policies of the industrialised nations, particularly the USA. They protested against the protectionist tendencies in agriculture and manufacturing in the industrialised countries. They are pessimistic about a substantial increase in quotas for Special Drawing Rights and easier terms of credits. The USA, which tried to obstruct the five billion dollar loan which India obtained last year on the ground the terms were too liberal, has already indicated through official statements that it would work with the support of some Western countries to tighten the terms of credit. The meeting of the Development Committee of the World Bank, which followed the IMF meeting, disclosed the serious crisis in the International Development Association (IDA) which is the source of substantial credits to developing countries. The US decision to cut its contribution to the sixth replenishment of the IDA, which ends in June, 1983, has had snowball effect. The US will contribute (hopefully) only 2.1 billion, against its original contribution 3.2 billion. Since donations to IDA are made pro-rata, most other contributors have cut their payments commensurately, the exceptions being the Nordic countries, Denmark, Findland Norway and Sweden. The only response to pleas from the USA is that the $1.1 billion of arrears could be paid in the next couple of years which would delay the seventh replenishment. The USA has also blocked the World Bank plan to establish a 30 billion dollar energy affiliate of the Bank. However some hope arises from a French proposal, co-sponsored by Canada and supported by the Nordic countries, for a parallel fund to be established to make up for delays in payments to the IDA. The USA had expressed "no fundamental objection" according to the French delegate.

Dwindling Aid Flows

The recession in the industrial countries has proved exceedingly stubborn, thus worsening the terms of trade and the export volume of the developing countries. And despite a slowing of inflation and a slackening world demand, real interest rates have remained very high by historical standards. Debt payment burdens, accordingly, have continued to grow sharply.

In addition to these general features of the international economy, there is the prospect that the growth of private capital flows to the developing countries will be much slower in the days ahead. Private lending provided an increasingly important source of funds for investment in developing countries during the 1970s. But repayments have begun to absorb a rising proportion of new loans so that over the medium-term, net disbursement of private loans to the developing countries are likely to drop sharply in real terms.

And unfortunately it appears that the outlook for official development assistance is bleak. Given the slow growth and high budget deficits in the OECD countries, and the disappearing surpluses of the oil exporting countries, it is likely that in the next few years the rate of growth of official development assistance in real terms will fall below the four per cent attained in the 1970s. This will create especial difficulties for the low-income developing countries.

—Tom Clausen, World Bank Presidents.

Pressure on US

It is possible, of course, that the OECD and the Helsinki meetings may exert some moral pressure on the USA whose posture at the Cancun Summit and its policy of pressure to tie aid to those who support its policies have damaged its reputation in the Third World and among some of its own allies. But the chances of Washington making any drastic changes in its economic policies or attitude to the Third World seem unlikely. The Treasury Secretary, Mr Regan, emphasised at Helsinki that a reduction in American interest rates was not a panacea for world problems.

The British Chancellor, Sir Geoffrey Howe, who is the leading Western supporter of Reaganomics, turned the argument about unemployment (300 million in the OECD region) upside down by saying that a rise in unemployment "is not a bill we pay for reducing inflation now. It is the bill for our having allowed it to continue so long in the past". He was more concerned over Japan's policies than Reaganomics. Japan's keeping the yen undervalued had been one of the reasons for its, $16.5 billion surplus in trade with the West, he said. There has also been alarm at the new "tactics" in Japan's export drive. It has started joint ventures in Australia, Britain and other western countries to manufacture automobiles and electronic products of Japanese design. These are said to compensate for voluntary reduction in Japanese exports as Japanese components are used largely in these vantures so that exports of cars and other products from these third countries actually boost Japanese exports.

The Falkland conflict, though it affects Argentina more than Britain, has created confusion in the political situation that could rebound on East-West relations. Argentina, ruled by a neo-Fascist military Junta, had so far good relations with the West and was considered by President Reagan and Prime Minister Thatcher with special favour as a pillar of anti-Communism. Its long record of repression at home had been condoned because it had thrown its full weight against Cuba and the "creeping left wing surge" in Central America, the defeat of which is one of the objectives of the Reagan Administration. It was a good market for American, British, French and West German war arms, ships, airplanes, missiles and artillery. But its invasion of Falkland Islands, which had been occupied by Britain 150 years ago, resulted in a remarkable change in East-West relations. As the massive British Armada set out to end its aggression and reoccupy the islands, the USA was torn between two friends as President called Argentina and Britain. But he could not maintain neutrality as American public opinion was overwhelmingly for siding with Britain and he could not ignore a valued NATO ally which under Mrs Thatcher had been his most loyal supporter. But in doing so, he seems to have alienated most Spanish speaking Latin America and defaulted the Monroe Doctrine institutionalised in the Treaty of Rio which calls for mutual assistance when any American State is attacked by a non-American power. The USA and Britain's EEC partners imposed economic sanctions against Argentina.

Support for Argentina curiously came from Communist States, China, the Soviet bloc and even from Cuba. The consequences of these developments could bring about political and economic shifts. Soviet influence can may spread in Latin America, along with trade relations with Japan and East European industrilised countries. As far as Britain is concerned, the mounting cost of waging a war 8,000 miles from home could worsen its economic situation.

Inflation Abroad Decelerates

INFLATION IN the industrial countries, as measured by the rate of change in consumer prices, continued to decline during the 12 months ended February, with lower rates registered in all but three of the 16 countries for which data are available. Consumer prices in this group of countries as a whole rose at a rate of 8.4 per cent in the 12 months ended February, compared with 8.9 per cent in the year ended January. This reflected lower rates of consumer price inflation in the United States (7.7 per cent in the 12 months ended February, compared with .4 per cent in the year ended January), Japan (3.1 per cent, compared with 3.3 per cent), Austria (6.0 per cent, compared with 6.2 per cent), Belgium (7.5 per cent, compared with 8.3 per cent), Denmark 1.8 per cent, compared with 12.3 per cent), Finland (10.3 per cent, compared with 10.8 per cent). the Federal Republic of Germany (5.8 per cent, compared with .4 per cent), Italy (16.7 per cent, compared with 17.3 per cent), the Netherlands (6.8 per cent, compared with 6.9 per cent), Norway (11.9 per cent, compared with 12.4 per cent), Sweden 8.8 per cent, compared with 9.5 per cent), Switzerland (5.2 per cent, compared with .1 per cent), and the United Kingdom 1.0 per cent, compared with 12.0 per cent).

The only countries registering higher rates of inflation during the 12 months ended February were Canada (11.6 per cent, compared with 11.4 per cent), France (13.9 per cent, compared with 13.8 per cent), and Spain (14.5 per cent, compared with 14.2 per cent).

The February decline seems to have continued into March when a further deceleration in the rate of increase of consumer prices was experienced by 8 of the 9 countries for which data are available. The data show that with the exception of the Netherlands, whose inflation rate was unchanged in the year ended March, further reductions in the rate of inflation were experienced by the United States (6.8 per cent), Austria (5.9 per cent), Belgium (7.1 per cent), Finland (10.2 per cent), the Federal Republic of Germany (5.3 per cent), Norway (11.6 per cent), Sweden (8.6 per cent), and Switzerland (4.8 per cent).

—**IMF Survey**

German Foreign Subsidiaries

MANY GERMAN companies are having problems with their foreign subsidiaries. The prime example is Volkswagen's Brazilian operation: it lost DM457m last year. Oher major examples include BASF, Hoechst, Thyssen, Tengelmann and Hugo Mann. Yet last year was a record for direct German investment in foreign countries: DM10 billion. The year before it was DM 8.2 billion.

BASF of Ludwigshafen had a double misfortune. Its American subsidiary, BASF Wyandotte, closed last year's books with a loss of US $40 million and close to double that amount was lost as a result of exchange rates.

Hoechst's American subsidiary, American Hoechst Corp. (AHC), also closed in the red.

Thyssen chief executive Dieter Spethmann had to tell his stockholders that, following the previous year's profits of US $69m illionthe American Thyssen subsidiary, Budd Company, America's largest maker of brake components and railway wagons, lost US $75 million last year.

Small wonder then that this year's round of AGMs was marked by a depressed mood. High interest rates worldwide, a tide of bankruptcies, stagnation and protectionism have made the prospects for German direct investments abroad dim. People are often surprised by the huge amount of foreign investments by private companies and the problems they runinto, even in stable North America.

Considerable Increase

Latest figures released by the Bonn Economic Affairs Ministry show that last year's direct investments abroad were slightly less than DM 10 billion—a considerable increase over the previous year's DM 8.2 billion and a record.

It has probably come as a surprises for many people that direct invectment in the Third World rose steeply, reaching DM 2.3 billionn, as against DM 7.3 billion that went to industrial countries. The Third World's share thus rose from 14 to 23 per cemt.

Another surprise element in the last report was the fact that direct foreign investment in Germany also rose steeply (from DM 2.4 billion in 1980 to DM 4 billion in 1981). Obviously, Germany still holds an attraction for investors.

How well do German investments abroad pay off ? The business reports of German subsidlaries provide an incomplete picture. But this is amplified by tne statistics provided by the Bundesbank—though unfortunately with a considerable time lag.

The Bundesbank has only just published its report for 1979, a year when the world economy was in considerably bctter shape than today.

While the figures released by the Economic Affairs Ministry (which do not lag that far behind) are based on current account tranctions, the Bundesbank's statistics are based on the balance sheets of about 20,000 companies that are obliged to file their reports.

Only these extensive statistics provide data on the earnings resulting from the direct investments of German companies abroad. These data are of course much representative than the fragmentary profit and loss reports of individual companies.

According to the central bank's statisstics, German subsidiaries transfered about DM 1 billion in dividends and interest to the accounts of their paren companies in the pre-recession year 1979.

This is about one-sixth of the money Germany companies need for their foreign investments.

Optical Fiber Transmission

MITSUI ENGINEESING and Shipbuilding Company (MES) claims to have recently succeeded in commercial application of a marine optical fiber transmission system. Jointly undertaken with Fujikura Cable Works, and with cooperation from Mitsui OSK Lines, the new system has been installed in March in containership "America Maru" for the first time in the world.

Recognising the advantages of optical fiber transmission, which is being used extensively ashore, MES collaborated with Fujikura Cable to study technically its application for marine purposes. From various tests, it was found to be reliable enough to justify its marine application. This has resulted in the recent installation of the optical fiber transmission system, using silica glass fibers, for communication of data between the computers in the bridge and engine control room of the containership.

For this system, particular attention was paid to the structure of its cables. Because of the ship's vibration and due to the limited available space on board, the cables are of composite type of optical fiber units and copper conductor units with steel wire braids to make them sufficiently durable against such external mechanical forces as vibration, tension, squeezing, bending and compression.

In seeking further labour saving and energy conservation, more sophisticated automation systems are proposed to be applied for ships in the near future. Enormous amount of information is necessary for operation of such ships, which calls for more advanced and reliable data processing method. It becomes quite essential that full advantage of the various superior features of optical fiber transmission be taken for the integrated data processing and communication systems of such further automated ships. The number of ships using such systems is expected to steadily increase.

Incidentally, MES is already making efforts to develop applied optical fiber techniques for use in undersea data transmission systems, such as those intended for sea-bed exploration.

The optical fiber transmission system has some special features:

(1) Because of their less susceptibility to loss and of their wide-band characteristic, optical fibers permit high-speed and multiplex data transmission.

(2) As they are free from induced noise, optical fiber cables greatly help to increase the reliability of the transmission line.

(3) Optical fiber cables, which are non-inductive and non-electroconductive, can be compounded with or laid adjacent to power cables, and this provides great advantage in laying of cables.

(4) Being thinner and lighter than conventional cables for use on board, optical fiber cables contribute to effective utilisation of space and labour saving in wiring work.

(5) Optical fiber transmission lines, including their hardware, are highly resistant to vibration and accordingly can well fit the environment conditions on board.

"Steel-Collar" Workers

ROBOT USE in Western Europe is likely to increase five-fold in five years—from 6,000 in 1981 to 30,000 in 1986. This startling prediction is made in a major new study, which also reviews the key issues facing companies that plan to introduce these "steel-collar" workers into their plants.

So far, adverse reaction from unions has been almost non-existent. But this is mainly due to certain features of the current robot market. A large number of robots have been installed in new highly-automated automobile factories by companies like British Leyland, Fiat, Volkswagon and Renault. In these cases, special agreements have been negotiated with the relevant unions. The other main type of application has been the use of perhaps just one robot to take over a hazardous or unpleasant task, with the worker being placed in charge of the robot. Here union reaction was positive, as working conditions were improved.

However, current high unemployment levels in Europe will make it difficult for firms to introduce robots where some degree of job displacement is involved. The key to overcoming resistance from unions, workforce and management is to ensure that all sides understand the issues involved. Managements have tended to assume that their workforce will react strongly against the introduction of robots and have proceeded to make plans under conditions of maximum secrecy.

—*Business Europe*

One-Megabit Microchip

JAPAN'S TOP microchip maker, Nippon Electric Company (NEC), looks set to leapfrog the next generation of integrated circuits. The Tokyo-based manufacturer is ready to start taking orders for its new one-megabitmemory device—packing 1.1 million memory cells on a silver of silcon only seven millimetres square. That is eight times more than the most powerful memory chips in the market today.

Commercial production is to start in June, building up to 100,000 chips a month early next year. Another Japanese microchip firm, Oki, has also started taking orders for a one-megabit device, though it has yet to announce its production plans.

The product unveiled by NEC is not, to be sure, an all-purpose device that will replace today's "random-access memory" (ram) chips. It is a more specialised chip called a "read only memory" (rom) which, like a book, has information printed indelibly into it during its fabrication. The NEC product has been designed as a dictionary, storing definitions of 4,000 kanji characters used for writing Chinese and Japanese.

—*Tha Economist, London*

Regulation of Substantial Expansion of Large Industrial Houses

P.V. Krishna Rao

The claim made by the Government that it has discouraged the concentration of economic power in the hands of large industrial houses is disputed by the author, who is Lecturer in the Department of Commerce and Business Administration, Nagarjuna University. He fortifies his arguments by facts and figures.

ONE OF the most important objectives of Monopolies and Restrictive Trade Practices Act, 1969 which was brought into force from June 1, 1970, is to ensure that the operation of the industrial apparatus does not result in concentration of economic power to the common detriment. Chapter-III of the Act (Sections 20 to 30) which is said to be unique and an original contribution of India to the anti-monopoly laws of the world, contains certain specific measures for attaining this objective. The provisions in this chapter are applicable to two types of undertakings, namely (i) large undertakings which by themselves or jointly with other inter-connected undertakings have assets of Rs 20 crores or more, and (ii) dominant undertakings, single or consisting of more than one undertaking having assets together with all inter-connected undertakings of rupees one crore.[1] These undertakings are required to register themselves with the Central Government under Section 26 of the MRTP Act. By the end of December, 1978, a total of 1,428 undertakings had registered themselves as large business houses or dominant undertakings or as undertakings inter-connected with them.[2]

Under Section 21 of the Act, when an undertaking to which the provisions of this chapter apply, proposes to substantially expand its activities by whatever means, it shall give a notice in the pres-

TABLE I

Disposal of Applications by the Government Under Sec. 21 of the MRTP Act During 1971-78

Particulars	1971	1972	1973	1974	1975	1976	1977	1978	Total
(A) Notices with the Central Government At the beginning of the year	—	63	88	68	106	84	46	42	
Fresh notices received	157	108	64	102	58	45	49	58	641
Total number of notices pending during the year.	157	171	152	170	164	129	25	100	
(B) Proposals approved	40	32	40	32	31	36	29	25	265
(C) Proposals rejected	4	1	15	9	13	23	13	2	80
(D) Final orders passed by the Government	44	33	55	41	44	59	42	27	345
(E) Proposals withdrawn	15	7	12	12	14	8	6	16	90
(F) Proposals where MRTP Act not applicable	35	43	17	11	22	16	5	3	152
(G) Notices pending	63	88	68	106	84	46	42	54	

Source : Annual Reports pertaining to the execution of the provisions of the MRTP Act, published by the Ministry of Law, Justice and Company Affairs (Department of Company Affairs), Government of India.

cribed form, to the Central Government before taking any steps in pursuance of that proposal. No undertaking can give effect to any proposal for its substantial expansion unless it has been approved by the Government. The Government may approve the proposal, if it is satisfied that the expansion will not lead to concentration of economic power to the common detriment or is not likely to be prejudicial to the public interest. The Government may refer the application to the MRTP Commission for further investigation and may pass orders after the receipt of the Commission's report.

The Aim

The aim of this article is to analyse the proposals for substantial expansion decided by the Government during the period 1971-78 and also to examine the claim made by the Government of India that it is discouraging the growth of the largest 20 business houses operating in India. The main source of data for this analysis is the information contained in the annual reports on the working and administration of MRTP Act and annual administrative reports on the working of MRTP Commission.

Table I shows the disposal of applications received for substantial expansion of activities under Section 21 by the Government of India. As can be observed from this table, out of 641 proposals received, the Government of India passed orders in respect of 345 proposals. Ninety proposals were withdrawn by the undertakings concerned, and in the case of 152 proposals it was found that the Act was not applicable. The remaining 54 proposals were pending by the end of December 1978.

Out of the 345 proposals for which orders have been passed, 265 proposals or 76.8 per cent of the total, were approved and the remaining 80 proposals were rejected by the Government.

Industrial house-wise analysis of the proposals decided by the Government during the period 1972-78[3] is presented in Table II. During the period 1972-78, the Government passed orders in respect of 301 proposals, out of which 225 proposals with a total project cost of Rs 1,80,650.80 lakhs were approved by

TABLE II Industrial House-wise Proposals Decided by Government During 1972-78

Large House	Approved		Rejected	
	No. of proposals	Cost of prejects (Rs in lakhs)	No. of proposals	Cost of projects (Rs in lakhs)
1. A.C.C.	15	20251	—	—
2. Asbestos Cement	—	—	1	217.50
3. Bajaj	4	2758	—	—
4. Bangur	2	3110	—	—
5. Bhiwandiwala	4	12891	—	—
6. Birla	17	27586.30	7	3813
7. Chowgule	2	6796.80	—	—
8, Dunlop	2	715.59	1	60.69
9. Escorts	3	100	—	—
10. G.E.C.	6	136.94	5	178.80
11. G.K.W.	8	488.15	—	—
12. Ghia	2	41.70	—	—
13. Goenka (K.P.)	1	79.50	—	—
14. Godrej	1	130	2	103
15. I.C.I.	—	—	6	3305
16. J.K. Singhania	11	15481.57	5	2768.02
17. Kamani	1	372	3	541.30
18. Kapadia	—	—	3	1450
19. Kasturbhai Lalbhai	5	239	—	—
20. Khatau	4	232	—	—
21. Kirloskar	5	3670.15	1	1200
22. Larsen & Toubro	13	1758.95	2	111
23. Macneil & Magor	1	325	2	53
24. Mafatlal	2	560	—	—
25. Mahindra & Mahindra	4	220	1	8
26. Metal Box	1	18.25	—	—
27. Modi	1	250	2	1977.53
28. Murugappa Chettiar	1	125.23	1	7.50
29. Naidu, G.V.	3	597	2	99.6
30. Naidu, V.R.	2	440	—	—
31. Oil India	2	4471	—	—
32. Parry	3	681	—	—
33. Phillips	2	15.33	1	166.60
34. Rallis	1	29	—	—
35. Sahu Jain	1	18.05	2	318
36. Salgoacar	3	2630.45	—	—
37. Sarabhai	4	145.5	3	429.24
38. Scindia	4	12200	—	—
39. Shaw Wallace	1	11	1	31.90
40. Shri Ambica	7	535	—	—
41. Shri Ram	8	3373.79	1	85
42. S.P. Jain	2	30.50	—	—
43. Simpson	2	520	—	—
44. Swadish Match	5	661.30	4	852.50
45. T.V.S.	6	721.13	—	—
46. Tata	8	24010	2	350.40
47. Thapar	5	1415.73	3	396.02
48. Union Carbide	4	888.5	—	—
49. V. Rama Krishna	2	595	1	900
50. V.S. Dempo	1	4000	—	—
51. Walchand	2	634.34	2	356.07
52. Others	31	23690.12	12	1778.77
Total	225	180650.80	76	21557.44

the Government and 76 proposals with a total project cost of Rs 21,557.44 lakhs rejected.

Out of the 225 proposals approved by the Government, the largest number of proposals related to the House of Birlas (17); followed by ACC (15); Larsen & Toubro (13) and J.K. Singhania (11). The Government approved eight proposals each of GKW, Shri Ram and Tata. In terms of the total project cost approved also, House of Birlas occupied the first place in the list with Rs 27,586 lakhs, followed by Tata (Rs 24,010 lakhs); A.C.C. (Rs 20,250 lakhs) J.K. Singhania (Rs 15,481 lakhs); Bhiwandiwala (Rs 12,891 lakhs) and Scindia (Rs 12,200 lakhs).

Of the 76 proposals rejected for substantial expansion, it is to be noticed that the largest number of proposals related to House of Birlas (7) followed by ICI (6); GEC (5) J.K. Singhania (5), and Swadish Match (4). In terms of total project cost rejected also, House of Birlas topped the list with Rs 3,813 lakhs, followed by ICI (Rs 3,305 lakhs); J.K. Singhania (Rs 2,768 lakhs); Modi (Rs 1,977 lakhs); Kapadia (Rs 1,450 lakhs) and Kirloskar (Rs 1,200 lakhs).

All proposals for which orders have been passed were approved in the case of A.C.C.; Bajaj; Bangur; Bhiwandiwala; Chougule; Escorts; GKW; Ghia; Kasturbhai Lalbhai; Khatau; Mafatlal; Metal Box; Naidu, V.R.; Oil India; Parry; Rallies; Salgaocar; Scindia; Shri Ambica; S.P. Jain; Simpson; TVS; Union Carbide and V.S. Dempo. All the proposals for which orders have been passed were rejected in the case of Asbestos Cement; ICI and Kapadia.

Table III shows the proposals of the top twenty industrial houses decided by the Government under Section 21 of the Act. Out of the total of 225 proposals approved during the period 1972-78 with a total project cost of Rs 1,80,650 lakhs, 113, with a project cost of Rs 13880,56 lakhs related to the top 20 industrial houses. In other words, what it implies is that nearly 50 per cent of the total proposals and 77 per cent of the total project cost approved belonged to the top 20 houses. Again it is significant to note that of the total 76 proposals rejected during the same period under consideration with a total project cost of Rs 21,557.44 lakhs, 30 proposals with an aggregate project cost of Rs 12,391.51 lakhs were those that belonged to the top 20 houses. In terms of percentages, the projects rejected works out of to be 39.4 while that of the total project cost rejected to be 57.4 for the same top 20 houses.

Further, out of the 143 proposals for substantial expansion applied for by the top 20 houses, 113 proposals (79 per cent) have been approved by the Government whereas only 75 per cent of the proposals for substantial expansion applied for by all industrial houses have been approved by the Government during this period. Similarly 92 per cent of the total project cost applied for by top 20 houses has been approved by the Government and the corresponding percentage for all industrial houses is only 80 per cent. Therefore the claim made by the Government of India that it is discouraging the growth of the largest 20 houses has been disproved as the percentage of growth proposals approved in favour of the largest 20 houses has been more than the percentage of the growth proposals approved for other smaller houses registered under the MRTP Act. This also suggests that the working of the MRTP Act has not impeded the growth of top 20 houses operating in India.

TABLE III

Proposals of the Top Twenty Houses Decided by the Government Under Section 21 of the MRTP Act During 1972-78

Large House	Approved		Rejected	
	No. of proposals	Total Project cost (Rs in lakhs)	No. of Proposals	Total Project cost (Rs in lakhs)
1	2	3	4	5
1. Birla	17	27586.30	7	3813
2. Tata	8	24010	2	350.40
3. Mafatlal	2	560	—	—
4. J.K. Singhania	11	15481.50	5	2768.02
5. Thapar	5	1415.73	3	396.02
6. I.C.I.	—	—	6	3305
7. Bangur	2	3110	—	—
8. Shri Ram	8	3373.79	3	85
9. Oil India	2	4471	—	—
10. Scindia	4	12200	—	—
11. Larsen & Toubro	13	1757.95	2	111
12. A.C.C.	15	20261	—	—
13. Bhiwandiwala	4	12891	—	—
14. Kirloskar	5	3670.15	1	1200
15. Hindustan Lever	—	—	—	—
16. Chowgule	2	6796.80	—	—
17. Khatau (Bombay)	4	232	—	—
18. Kasturbhai Lalbhai	5	239	—	—
19. Mahindra & Mahindra	4	220	1	8
20. Walchand	2	634.34	2	355.07
Total	113	138810.56	30	12391.51

References

1. MRTP Act, Section 20.

2. The Eighth Annual Report pertaining to the execution of provisions of the MRTP Act, 1969 (Government of India, 1980), P. 11.

3. The data for the year 1971 are not available.

Point of View

Training as an Aid to Higher Farm Production

Zia-ul Ghani

Technological innovations in agriculture, involving high cost of production, cannot be result-oriented unless managed properly and efficiently, says the author who is Lecturer, Department of Commerce, Aligarh Muslim University. This requires training which must be given top priority as a tool of management. He suggests that every block must have training facilities even for small and marginal farmers.

FARMING is an important factor of our socio-economic life. Intensive efforts have been continuing in the development of this sector right from the First Five Year Plan (1951-56). This was essential to achieve material welfare which is first of all judged by the standard of food and clothing. In order to feed people with better diet, agricultural production has to increase rapidly to maintain a balance with rising population besides providing abundant raw material to our industries.

Improved Technology

To achieve these objectives the use of improved farm technology has been greatly emphasised in all the Five Year Plans. But much attention has not been given to the methods of using them. In a country like India where mechanisation is confined to big farms and methods of cultivation are still traditional, the application of farm technology requires proper training for those who undertake farming business. In this article an attempt has been made to impress the importance of training in the methods of using the latest technological developments in farming so that we could achieve the goals of higher productivity. Incidentally, the year 1982 has been declared by the Government as the 'year of productivity'.

Hybrid varieties of crops require larger number of ploughing, application of proportionate doses of chemical fertilisers, new sowing techniques, prevention of pests and diseases, more irrigation and a better system of harvesting and threshing.[1] High cost of production is another feature of this technology.

Farm technology cannot achieve its objective of higher productivity unless it is managed and supervised effectively and properly. Farm management science considers farm operations from both the point of view of efficiency and continuous profit.[2] Both the technologist and farm manager have the same aim, i.e. to increase productivity. To attain this objective they follow different routes. The former is more productivity conscious while the later makes full and economical use of men, machines and material. The lack of managerial foresight in modern farming practices could mean the failure of result-oriented plans in spite of the fact that improved farm technology is available. Scientific management of farm operations is therefore essential for higher productivity.

Maintaining Efficiency

Farmers thus have to be trained in farm operations to maintain efficiency as well as reduce in the cost of inputs.

Operational and Budgetary Planning: The aim of planning is to decide what course be adopted for achieving the predetermined objectives. Under farming the planning phase is concerned with decisions as to how much area be brought under cultivation together with various crop combinations within the existing resources and operational systems in order to obtain maximum yield. The farmer has to chalk out a cropping programme beforehand in respect of required input factors (men, equipment, seeds, fertilisers, pesticides and water supplies). This gives an idea of the future cost as well as expected yields both in terms of quantity and money value. In this way he is able to ascertain elements of costs, direct and indirect, and per unit cost in terms of quantity as well as area sown. The cropping programme is always subject to necessary alterations depending upon the changes of natural as well as economic forces. For example during heavy rains kharif sowing may not be taken, partly or completely. Similarly up at the time of sowing, crop which had already been proposed to be sown may be replaced with some other new high yielding varieties on the basis of new researches. Increasing demand of Sooraj Mukhi and other oilseeds it may be added in the cropping programme. As compared to future gains high cost of tractor operations may induce use of cheap labour. In this way he is required to maintain flexibility in his operational budget.

Various Operations

Preparation of Land for Sowing: This is the first operation and instructions have to be imparted to the effect that the land be properly irrigated and ploughed so that the soil may become loose enough for quick germination. Inadequate attention to this operation may result in the need for reploughing and resowing when the germination of seed is not found to be satisfactory.

The entire success or failure in farming depends upon the proper application of input factors. According to various experts if seeds are not placed at the proper depth and distance, based on standard norms, the yield will not be to the desired extent. The heavy or low doses of fertilisers will also affect the crop considerably. Besides, the timely use of inputs is essential. A slight difference over their application may render futile all the efforts at higher productivity as well as minimisation of cost of production.

Maintaining high quality of products is essential. This can be done through the scientific use of men, machine and materials. Proper application of input factors and a regular watch over farming operations as well as use of plant protection devices after the crop has been sown can achieve the desired objectives.

Harvesting Operations: This operation is undertaken when the crop is fully matured. Harvesting operation is the stage at which the semi-product in the shape of harvested wheat is to be taken. Timely harvesting is also necessary to save the crop from natural calamities like unexpected rains. Under this operation farmers are required to be trained vigorously for adopting a particular method of harvesting and dealing with dry plants in a manner in which grains do not fall into the deleris and be destroyed. As a matter of fact falling of pears or grains cannot be salvaged entirely, but it can be minimised by avoiding immethodical system of harvesting.

Threshing Operations: It is the last process through which finished product is brought into the store. In this regard too farmers need to be instructed to protect the havested stock against weather uncertainties which are normally noticed at that time. Apart from weather it is also subject to pilferage and catching fire. Quick disposal of threshing operations depends entirely upon the momentum with which the harvested stock is transported from the threshing floor to the threshing machine.

Safety Devices: In farming business the use of machines like tractors, tillers, furrow ploughs, disc harrows and particularly threshers has exposed farm labour to accidents, causing loss of considerable man-hours due to injury or loss of limb and resulting invalidation. It is, therefore, essential that the farmers be educated on safety devices and to ensure minimum chances of accidents. It would be desirable if they are given general introduction about the use and working of the machine concerned .

Communication: Government policies in respect of labour welfare and transfer of technical skill obtained through researches and development programmes need to be conveyed to the farmers.

From the foregoing analysis it can be concluded that the primary objective of farming is to produce maximum of good quality product at cheap rates for satisfying the physiological needs of food of the masses. In a country like India which is facing stupendous problems of poverty, rising population, natural calamities like drought etc., an increase in agricultural production is essential. Technological innovations involving high cost of production cannot be result-oriented unless managed properly and efficiently. Also farming operations under technological development require special treatment. Therefore, training as a tool of management should be given top priority to small and marginal farmers. To implement the innovational development properly, the establishment of an agency imparting training to the farmers over the various phases of farm operations is sin-qua-non for maintaining efficiency under the present system of farming. It has become imperative on the part of the Government to take steps for the establishment of agencies in every block to provide training facilities to small and marginal farmers before they undertake farming operations. This will in turn lead to an efficient coordination between the modern farm technology and managerial techniques to get the best results.

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Focus on Industry

Towards Specialised Rubber Machinery

THE REQUIREMENTS of rubber machinery are correlated to the programmes of user industries manufacturing tyres, tubes, conveyor belting etc. The present overall capacity is adequate for rubber tyres/tube industry.

There are 16 units in production registered for an annual installed capacity of Rs 14 crores. The production during the last few years has been as under:

Year	Production (In lakhs)
1976	Rs 985
1977	Rs 691
1978	Rs 604
1979	Rs 785

Considering the likely demand during the next 3/4 years, long gestation period and capital intensive nature of this industry, there is scope for creating additional capacity for specialised items of rubber machinery particularly by way of diversification. This list of rubber machinery item for which there is scope for creation of capacity is given below. Technical collaboration is allowed by the Government on merits. Items of rubber machinery for which further capacity is required are:

1. Tread slitter and fabric slitter.
2. Bias cutters.
3. Services for tyre building machines.
4. Dual extruders.
5. Bagging and debagging machines for extra large tyres.
6. Fabric spreading machines.
7. Mould cleaning machines.
8. Side wall buffing machines.
9. Oil injeetion and black handling equipment.
10. Automatic compound weighing and mixing equipment.
11. Fabric dipping and hot stretching equipment.
12. Cold feed extruders.
13. Tyre balancing and testing machines.
14. Equipment for building and curing transmission and conveyor belting.
15. Equipment for repair of conveyor belts at site.

The following are the main manufacturers:

List of Manufacturers

1. M/s Alfred Herbert (I) Ltd, 13/3 Strand Street, Calcutta (unit, Bangalore, Karnataka)—Tyre Curing Presses, Tub-Presses, Tyre Building Machines, Intermixes, Bias Cutters.

2. M/s Richardson & Cruddas (1972) Ltd, Byculla Iron Works, Sir J.J. Road, Bombay—Calenders. Extruders, Line Mills, Presses

3. M/s. Oriental Machinery & Civil Construction (P) Ltd, National Tobacco Building 1 & 2 Old Court House Corner, Calcutta—Rubber Mixing Mills Calenders.

4. M/s National Duncan Standard Ltd, 31, Netaji Subhash Road, Calcutta (unit Thana, Maharashtra)—Tyre Mould, Tyre Retreading Machinery.

5. M/s Farrel Anand Machinery Mfg Co Ltd, Mahalakshmi Chambers, Bhulabhai Desai Road, Bombay—Benbury Mixers, Mixing Mills, Calenders, Extruders, Time Slitters, Tyre Building Equipment and Tube Presses.

6. M/s L&T Mcneil Ltd, L&T House, Ballard Estate, Bombay—Tyre Curing Presses, Tube Presses, Flap Presses, Bladder Presses.

7. M/s S.C. Brothers, Western Express Highway, Goregaon (East), Bombay—Bias Cutters & Other Rubber Machinery.

8. M/s Associated Tyre Machinery Co Ltd, Cement House, 121 Maharishi Karve Rd, Bombay—Tyre Tube Bladder, Curing Presses, Tyre Building.

9. M/s Dynacraft Machine Co Ltd C.D. Bafiwala Marg, Andheri (West) Bombay—Rubber Processing Machinery like Mixing Mills etc.

10. M/s Sohal Engg Works, L.B Shastri Marg, Bombay—Mixing Mills Calenders, Extruders etc.

11. M/s Dunlop India Ltd, Dunlo House, Calcutta—Rubber Processin Machinery like Mixing Mills etc.

12. M/s Arim Industrial (P) Ltd, 2 Covent Rd, Calcutta—Tyre Moulds.

13. M/s Devon Machines (P) Ltd Infantry Road, Bangalore (unit Ambattur Tamil Nadu)—Tyre Curing Presses, Tyr Building Machines, Moulds, Drum etc.

14. M/s K.C.P. Ltd, Ramakrishn Building, 38, Mount Road, Madras—Rubber Processing Machinery.

15. M/s Shaw Wallace & Co Ltd, 4 Bankshall Street, Calcutta (unit Madras Tamil Nadu)—Rubber Processin Machinery.

16. M/s Rubber Reclaim Co of Indi (P) Ltd, 62, Connaught Circus, Ne Delhi (unit Gurgaon, Haryana)—Rubbe Reclaiming Machinery.

ANNOUNCEMENT

From June 1982 *Eastern Economist* will be brought out on every Sunday instead of on Friday as at present. This shift in the day of publication has been made to overcome certain postal difficulties we are facing at present and, in turn, will ensure delivery of the copies covering all major events of the week. Patrons and all concerned are requested to make note of this shift in the publication day of *Eastern Economist*.

CHIEF EXECUTIVE

ANDHRA PRADESH SILVER JUBILEE CELEBRATIONS—PROGRESS IN POWER SECTOR IN 25 YEARS

POWER GENERATION	Index of development
Twenty three fold increase	from 100 MW to 2300 MW
POWER LINES	arteries for current flow
Twenty two fold increase	from 9120 KM to 2,00,000 KM
CONSUMERS	whom electricity serves
Seventeen fold increase	from 1.5 lakhs to 25 lakhs
PUMPSETS	for food production
Hundred fold increase	from 4300 to 4.69 lakhs
INDUSTRIAL SERVICES	for increased employment
Twenty Nine fold increase	from 2000 to 58,000
ELECTRIFIED VILLAGES	contribution to rural development
Twenty nine fold increase	from 630 to 18,230
PER CAPITA CONSUMPTION	an index of prosperity
Thirteen fold increase	from 7 units to 94 units
HARIJANS & GIRIJANS	on the path of progress Harijanwadas in over 90% of the electrified villages and 1100 tribal villages electrified, 23,085 weaker section houses given one light in each house.

ANDHRA PRADESH STATE ELECTRICITY BOARD

STATE OF THE ECONOMY

Public Sector Units

With a substantial improvement in the production the public sector undertakings under the Department of Heavy Industry, are expected to make a profit of Rs 24.27 crore during 1982-83.

The rising trend in output during 1981-82 helped these units to reduce their losses to Rs 19.94 crore as compared to Rs 61.56 crore in the corresponding period of 1980-81.

The public sector units which have earned a profit during 1981-82 include the Bharat Heavy Electricals Limited—Rs 51 crore, HMT—Rs 34.20 crore, Bharat Heavy Plates and Vessels—Rs 10 lakh and Tungabhadra Steel Products—Rs 10 lakh.

The Heavy Engineering Corporation reduced its losses substantially to Rs 34 crore as against Rs 51 crore in 1980-81.

The overall growth rate achieved by these units in terms of production was 25 per cent over the level achieved in 1980-81.

Besides, these undertakings also resistered an 11 per cent growth in exports during 1981-82 which stood at Rs 293 crore as against the total export orders bagged during the year worth Rs 396 crore.

These included the orders bagged by Triveni Structurals Ltd for structurals steel work for Hetauda Cement Plant, Kathmandu, Nepal, of the value of Rs 1.94 crore and turnkey contract of 230 KV transmission line towers of 54 KM length for Electricity Generating Authority of Thailand, of the value of Rs 1.80 crore. During 1981-82, HMT bagged a large order from USSR for 752 machines tools valued at Rs 174.4 million.

Bharat Heavy Plate and Vessels (BHPV) bagged the first overseas contract of the value of Rs 4.91 crore from M/s S.N. Metal of Algeria for providing consultancy services, know-how and technical assistance to fabricate process equipment. Following the successful completion of 240 wagons for Vietnam, Burn Standard & Co received another order for supply of 60 Coal Hopper Wagons to Vietnam in 1982-83.

During 1981-82, EPI has completed and handed over two export projects namely Civil Works for Ruwais Refinery, Abu Dhabi for the value of Rs 26.17 crore and Oil Storage Tank, Jeddah. Saudi Arabia of the value of Rs 3.75 crore.

Ratan Tata Advocates Dynamic Thrust

Mr Ratan Tata, Chairman, Tata Industries Ltd, addressed the senior managers of K.G. Khosla Compressors Ltd at Vigyan Bhawan, New Delhi recently. The topic was "Strategic planning in a large business group". The central theme of his speech was the dynamic thrust advocated by him for large business houses as they go into the 80's—that is to explore new avenues hitherto untapped by them. Thus, the leadership of the group could be maintained in the future also. Mr Tata stressed that to attain a high level of progress in the new fields, there is a need to create a team of talents which he referred to as 'special task force', to be drawn from various companies in the groups. The task of such teams would be to explore new areas for investment.

Mr Tata elaborated that this task force should not confine itself to exploring new areas for development but also prepare feasibility reports covering all aspects e.g. financial and investment needs, organisational and infrastructural and various other inputs. He added that the scope of these groups should include setting up projects in foreign lands. To achieve this objective, the task forces should be relieved of day to day responsibilities in their respective companies.

Mr Tata, however, cautioned that this approach needs a high level of discipline in terms of generating a plan that would be feasible. It demanded time, broad vision to look into the future and a sense of dedication and he felt that this would lead to a qualitative improvement in the working of the group.

Mr Tata revealed that in his group of companies he has created such a task force which is to study and explore new areas for investment in which the House of Tatas could venture profitably.

Rupee-Pound Exchange

The Reserve Bank of India announced an upward revision of rupee by 0.30 per cent in relation to the pound sterling, making rupee dearer by 5 paise. The spot buying and selling rates are so fixed as to give a new middle rate of Rs 16.70 per pound against the earlier Rs 16.75.

The new buying and selling rates for spot delivery are 6.0024 and 5.9737 pound sterling per Rs 100, corresponding to Rs 16.66 and Rs 16.74 per sterling, respectively.

Visa and Tourism

The reported move of the Indian Government to stop the practice of issuing landing permits to foreign tourists and make them enter the country with visas has been opposed by the tourism industry.

The industry's fear is that this step may severely hit the growth of tourism in the country. The seriousness of the matter is indicated by the telegram sent by the Travel Agents Association of India (TAAI) to the Prime Minister to avoid taking this ill-conceived step.

TAAI is the premier organisation of virtually all leading sectors connected with tourism representing both public and private sector organisatious. Its membership comprises travel agents, airlines both national and international, the India Tourism Development Corporation, State Government Tourism Development Corporations, transport operators and tour promotors.

TAAI has said that the concept of possessing visas for entering India and the elimination of landing permits may have been conceived for security reasons or in line with the decision of a few countries to newly introduce the system of visas for Indians visiting those countries.

Indo-Soviet Oil Pact

India has signed an agreement with the Soviet Union for importing 2.5 million tonnes of crude oil for the current year. The Soviet Union had already agreed to supply 1.5 million tonnes of kerosene and 0.67 million tonnes of high-speed diesel under a separate agreement. The Soviet Union has already supplied 0.2 million tonnes of crude oil to India out of 2.5 million tonnes.

BHEL Expansion Plan

The Bharath Heavy Electricals Limited has fully geared its machinery to meet the power generation targets of the Sixth Plan and Seventh plan, BHEL Chairman, Mr K.L. Puri stated recently. He added that the BHEL would assist in the generation of 60 per cent of the targeted power generation of 19,611 MW during the current Plan period.

He said work on the Ranipet unit of the BHEL was progressing and Rs 25 crore production was planned for the year 1982-83 from the unit

Mr Puri said the performance of BHEL equipment had showed considerable improvement and added that nine power plants of 200 MW capacity supplied by BHEL to various units in he country had increased geneation from 1,213 million units n April 1981 to 1,718 million inits in April 1982 reflecting n average plant load factor of 1 per cent.

Mr Puri added that BHEL vould play a vital role in the imlementation of Prime Minister ndira Gandhi's 20-point proramme. BHEL units had been sked to adopt villages for the rovision of basic amenities nd the Tiruchirapalli unit had dopted Krishnasamudram vilge.

The boilers made by BHEL or export to Libya had passed ne reliability and performance ests of the British conltants.

ublic Sector Imports

The Commerce Ministry has otified licensing conditions in espect of public sector imports nder the Japanese Grant Aid 1.134 billion yen (debt reef) for 1981-82 extended by e Japanese Government.

Items which can be imported nder this grant aid are: rolls eel including special steel and loy steel components, attachents and spares for manufacre of trucks and tractors; emicals; spares, components d raw materials for Japanese ded projects and Indo-Japase joint ventures; components, attachments and spares r power tillers; machinery, mponents, attachments, ares and raw materials; achinery and equipment for National Small Industries rporation of India and for ojects of the Oil and Natural s Commission; fertilisers, d such other items as may mutually agreed upon.

Import licence will be issued CIF basis with an insitial lidity of 12 months. For any ension the parties will have approach the licensing thority concerned, the pub- notice issued by the Chief ntroller of Imports and Exrts.

No remittance of foreign exnge will be permitted against import licences except k charges which may be mitted through normal bank- channels. The notification made it clear that the panese grant aid is untied in favour of OECD and developing countries except India.

Rihand Super Thermal Power Plant

A formal agreement between the National Thermal Power Corporation and the British company, Northern Engineering Industries (NEI), was signed recently. Under the agreement, NEI will be the lead company and will supply power equipment for the 1,000 MW phase I of the Rihand super thermal station.

The project will be financed with a 100 per cent financing facility provided by the British Government.

According to a press release issued by NTPC, the thermal station will have an ultimate capacity of 3,000 MW.

The British offer not only includes commissioning of the phase I of the project but also financing of development of the Amlori block of coal mines slated to supply coal for the station. According to the present schedule, the first 500-MW unit will come into operation in 1988.

Overseas Employment

The Working Group on Overseas Employment formed a couple of months ago has identified four areas where efforts should be made indentifying employment market information and at the same time streamline the procedure of emigration.

It has also urged mechanisation of training programme since most of the Indian seeking jobs are rejected due to lack of expertise of working on machines.

The group under the Chairmanship of the Labour Secretary, Mr B.G. Deshmukh, felt that Indian artisans are rejected because the gradation and technical know how is not there and most of the knowledge in regard to profession has passed to them in a traditional manner.

It has also urged that the remittances by them should be properly monitored and also utilised for the training of emigrants.

The group suggested that there should be a cell in missions abroad to send back the data on the labour market situation in those countries. A view was expressed that development plans of those countries should be collected so that it could provide some idea about the manpower needs of those countries.

The group felt the need for enhancing the potential of Indian workers by providing technical skill. It also realised that clear avenues should be indicated for realisation of their remittances including rehabilitation of the emigrants returning from abroad.

Good Performance in Small Savings

The net small saving deposits during 1981-82 under various small savings schemes at the end of March 1982 reached Rs 1,288 crore. If the interest of Rs 100 crore earned on this is added, the total collection will exceed the revised budget estimate of Rs 1,300 crore, according to an official release.

To mark the post office savings bank centenary year the Government has decided to hold a prize draw in January 1983. All individual accounts including pension accounts will be eligible to participate in the draw if minimum interest earning balance of Rs 200 is kept in the account from June to September 1982. This will apply to existing accounts as well as new accounts opened hereafter.

In the Centenary bumper draw, the value of the first prize has been raised to Rs 2 lakh. The total prize money will go up to Rs 34 lakh and the number of prizes to about 20,000.

Names in the News

Mr S. Sankaran, Director General of Mines Safety, attended the International Labour Organisation's Coal Mines Committee Session as a delegate from the Government of India during April 20 to 29 1982 at Geneva. Delegates from 21 countries, (developed and developing countries) attended the session of the committee, which is held once in six years. Mr Sankaran was elected as the Chairman of the sub-committee on Safety and Health in Coal Mines.

Readers' Roundtable

The Argentine View

Sir, I have read Mr V.R. Bhatt's article in the *Eastern Economist* of April 23, 1982, entitled "The Big Economic Cost of the Falklands."

It contains some factual and historical mis-statements. The Malvinas Islands (the Britishers call them Falklands), before they were captured by the British by use of foree in 1833, were held by Spain and subsequently by Argentina. The Argentine nationals and inhabitants were exercising authority in these islands since they were discovered by Spaniards in 1504.

Further, the Argentine Republic has always been extending assistance to the inhabitants of the islands by maintaining all these years regular air services, constructing an airstrip at Puerto Argentino (formerly Port Stanley), etc.

It is worthwhile to point out that the non-aligned nations have accepted the sovereignty of the Argentine Republic over these islands and the UN considered it as a "decolonisation" problem.

Hence, by recovering these islands back to its national patrimony, Argentina has not violated any article of the UN and Argentine action did not represent any aggression against the present inhabitants whose rights and way of life will be protected by Argentine Government.

Yours etc.,

Fernando Fernandez Escalante
(Argentine Ambassador)

COMPANY AFFAIRS

Tata Chemicals Debentures

TATA CHEMICALS Ltd, propose to raise long-term finances by issuing a fifth series of debentures of Rs 100 each of a total value of Rs 3.50 crore as rights issue. These are non-convertible debentures carrying an interest of 15 per cent a year and will be redeemed at a premium of 5 per cent on the expiry of the seventh year from the date of allotment.

The debentures will be offered in the first instance to the existing resident Indian ordinary shareholders of the company in the proportion of one rights debenture of Rs 100 each for every 25 ordinary shares held. The unsubscribed debentures, if any, will be offered for public subscription at par through a prospectus. The Controller of Capital Issues has given his consent to this proposal.

In order to provide relief to the 7.14 per cent cumulative preference shareholders, the Board of Directors of the company has decided, subject to the approval of the shareholders, the court, the Government and the Controller of Capital Issues, to issue redeem able secured non-convertible bonds in lieu of the irredeemable 7.14 per cent, preference shares. These bonds will bear an interest at 13.5 per cent per annum and an additional interest of one per cent, if in the immediately preceding financial year the company declares a dividend on its ordinary shares at a rate exceeding 20 per cent (such rate to be appropritately revised in the event of further issue of bonus shares) and will be redeemable at par at the end of 12 years from the date of allotment.

The company also proposes to raise the rate of interest on its fourth series of debentures from 11 per cent to 12 per cent a year, effective from July 1, 1981.

Zuari Agro

The Directors of Zuari Agro Chemicals Ltd state in their latest report that the company's proposal to participate in Nagarjuna fertiliser complex in Andhra Pradesh has been withdrawn in view of the inordinate delay in resolving various issues relating to speedy implementation of the project. The company has conveyed this decision to AP Government and to the Ministry of Petroleum, Chemicals and Fertilisers.

The company has revived its earlier plan to set up a large gas/naphtha based fertiliser plant which will now be located in North India. The company hopes that the Government will consider its proposal favourably. It is also exploring possibilities of diversifying its activities into other manufacturing activities.

The new retention prices for urea and complex grades for the three-year pricing period commencing from April 1, 1982, is expected to be announced shortly by the Government. The company hopes the Government will favourably consider the representation made by the industry for an upward revision of 12 per cent return on the net worth which it feels is totally inadequate for a highly capital intensive industry as also to ensure that sufficient incentives are provided while revising the retention price scheme to stimulate investment in fertiliser industry.

The company has suffered a setback in its operations for the period of 18 months ended December 31, 1981. It has suffered a loss of Rs 2.87 crore after providing Rs 6.97 crore for depreciation. For the preceding 12 months the company earned a profit of Rs 10.63 crore after providing depreciation for Rs 4.21 crore.

The overall plant performance was seriously affected by the prolonged strike. Production of complex grades was resumed in February and that of ammonia and urea in March 1981 after an interruption of nearly eight months.

The Directors propose to skip the dividend for this period.

Talbros Automotive Components

Talbros Automotive Components Ltd has shown improved all round results for the year ended December 31, 1981 despite adverse conditions affecting the automotive industry to which the company's products are vitally linked.

The sales for the year amounted to Rs 606.89 lakh as against Rs 500.41 lakh for the previous year, an increase of over 21 per cent. The company's exports for the year amounted to Rs 60.22 lakh against Rs 49.10 lakh for the previous year. The net post-tax profit of the company after providing all charges, depreciation and provision for taxation, has increased to Rs 13.21 lakh as against Rs 12.25 lakh in 1980. The Board of Directors at their meeting held on May 15, 1982 has recommended a dividend of 15 per cent (same as last year) and an additional silver jubilee dividend of 1 per cent (subject to the approval of financial institutions) both of which will absorb Rs 11.20 lakh (previous year Rs 10.5 lakh).

The company has ploughed back a substantial sum to reserve i.e. Rs 19.13 lakh against Rs 1.97 lakh last year. This has been possible due to write back of previous provisions for taxation which were considered no longer necessary on account of tax relief granted to the company. Thus the free reserves of the company have moved up to Rs 87.96 lakh (previous year Rs 66.65 lakh) against the paid-up caital of Rs 70 lakh.

State Bank of Patiala

The aggregate deposits of State Bank of Patiala increased from Rs 356.10 crores at the end of 1980 to Rs 475.74 crores at the end of 1981, thereby registering a growth of 33.60%. The bank's total advances went up by Rs 79.76 crores from Rs 233.73 crores at the end of 1980 to Rs 313.49 crores at the end of 1981. Advances to the priority sector increased from Rs 111.04 crores at the end of 1980 to Rs 141.6 crores at the end of 1981 and formed 45.09% of the total advances of the bank which is well above the 40% mark stipulated by the Governmentt of India to be achieved by the end of 1985.

The bank's advances to small scale industries went up by 25.14% from Rs 33.89 crores at the end of 1980 to Rs 42.41 crores at the end of 1981 which formed 13.53% of the bank' total advances. The coverage of village and tiny industries improved from 3110 units to 3303 units.

Loans to the small business sector improved by 45.04% during the year 1981, from Rs 11.90 crores at the end of 1980 to Rs 17.26 crores at the end of 1981, benefiting 20,792 units.

During the year 1981, the bank adopted 17 villages under the State Bank Gramodaya Project, taking the total to 47 villages where loans to the extent of Rs 1.83 crores were granted to 4063 beneficiaries in Punjab, Haryana and Himachal Pradesh. The Integrated Rural Development Programme was actively implemented in the villages adopted by the bank under this project.

The bank deployed Rs 59.39

crores for the economic development of the backward districts of Punjab, Haryana and Himachal Pradesh. Under the Innovative Banking Programme, the bank assisted 53,878 persons to the extent of Rs 7.05 crores at the end of 1981, with a view to ameliorating the lot of people particularly from the weaker sections of society.

The bank set up an International Bankig Divisions at New Delhi, Bombay, and International Banking Divisions at its New Delhi, Chandigarh and Jullundur branches. Export finance increased from Rs 10.17 crores as at the end of 1980 to Rs 10.68 crores at the end of 1981. The bank opened a record number of 52 branches during 1981 taking the total number of branches to 417 at the end of 1981. Of these, 1 were opened in rural and emi-urban areas. The bank lso opened 6 extension ounters during the year, aking their total to 36.

Hindustan Lever Repeats

The Directors of Hindustan ever Ltd have proposed a nal dividend of 13 per cent or 1981, which together with n interim of 12 per cent akes a total of 25 per cent or the year, the same as as paid for 1980. The Rs 0 paid-up shares of the company were quoted at Rs 50.50 n Bombay stock exchange cently.

The company has fared etter in 1981 with an increase sales and profit. The rnover has gone up by 19 r cent from Rs 404.20 ore to Rs 480.78 crore. The les of processed triglycerides aps and detergents have sen from Rs 283.25 crore Rs 315.37 crore.

The profit before tax has en from Rs 32.20 crore to s 41.22 crore. After providg Rs 20.50 crore for taxation s 15.67 crore), the profit ter tax comes to Rs 20.72 re (Rs 16.53 crore).

After providing Rs 1.20 re for investment allowance reserve (Rs 65 lakh) and making adjustments, the net profit is Rs 19.87 crore (Rs 16.16 crore). The dividend will absorb Rs 7.29 crore (Rs 7.29 crore) and the retained profits have gone up from Rs 8.87 crore to Rs 12.58 crore.

Suessen Textile

The Vice-Chairman of Suessen Taxtile Bearings Ltd, Mr SureshMehta, told shareholders that the company has taken up a progarmme of expansion and diversification and a new unit is being established at Dharwar. The major items of manufacture at Dharwar would be the latest design of shpehero point spindles and tangential belt spindle drive required for most modern ring spinning frames.

W. H. Brady

W.H. Brady and Co Ltd has reported an increase in its turnover from Rs 3.56 crore in 1980 to Rs 4.34 crore in 1981. After making adjustments relating to previous years and providing for depreciation and doubtful debts, but before making provision for taxation, there is a surplus of Rs 31.06 lakh compared with a loss of Rs 12.55 lakh in the preceding year.

The profit, after taxation, of Rs 17.67 lakh is carried forward. The unit set up at Ahmedabad for assembling cone winding machines has contributed substantially to the increased turnover during the year.

Pfizer Ltd

The sales of Pfizer Ltd, in the first five months of the current year (December, 1982 to April, 1982) were higher than the sales achieved in the same period of the previous year according to Mr S.V. Pillai, Chairman and Managing Director.

He told the shareholders of the company recently at the annual meeting that profits were also higher during the five month period, though comparison with last year was not meaningful as there was a prolonged strike upto February 3, 1981.

Mr Pillai said that the economic viability of the proposed new expansion project in West Bengal was being reassessed. The company decided to dilute its foreign holdings from 70 per cent to 60 per cent for the purpose.

The issue of new shares will be considered only after the revaluation of the project.

He said that the Government had not yet given sufficient attention to the removal of constraints and problems affecting the growth of the pharmaceutical industry. He hoped that the Government would re-examine the regulations governing the industry.

Stewarts and Lloyds

Stewarts and Lloyds of India Ltd has fared well for the year 1981. The turnover is up from Rs 11.49 crore to Rs 15.07 crore and the gross profit has risen to Rs 70.46 lakh. After providing Rs 13.09 lakh (Rs 14.62 lakh) for depreciation and Rs 28.70 lakh (Rs 22.70 lakh) for taxation, the profit is Rs 28.67 lakh (Rs 19.03 lakh). The taxable ordinary dividend has been raised from 12 per cent to 15 per cent, absorbing Rs 15 lakh (Rs 12 lakh). Allocations include Rs 1.50 lakh (Rs 4.10 lakh) for investment allowance reserve and Rs 12.17 lakh (Rs 2.93 lakh) for general reserve.

Atlas Copco

The sale turnover of Atlas Copco (India) Ltd during the first four months of the current year (January to April, 1982) were higher by 14 per cent, as compared to the sales achieved in the same period of the previous year, according to the chairman, Mr Akbar Hydari.

He told the shareholders of the company at the annual meeting recently that the company had received an industrial licence for the manufacture of screw compressors and development work on this product is progressing satisfactorily. The new compressors would be in the market during 1983.

Alcan Power Cables

Alcan Power Cables Limited setting up the first most modern PVC power cable project in Rajasthan, plans to go into commercial production towards the end of June this year.

The project set up at Matsya in Alwar district at a cost of Rs 1.28 crore recently commenced trial production.

The project promoted by

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Mr Chander Kishan has a total installed capacity of 2000 km. per annum of power cables which will be supplied to the State electricity boards, railways and other Government departments.

With the vast experience of the promoters in this line, the cost of the project has been kept "quite low" when compared to a cost of Rs 2.25 crore with which similar capacity plants are either set up or proposed to be established. The low capital cost will provide considerable saving of interest and depreciation to the company.

Larsen & Toubro

Larsen and Toubro Ltd has won the second prize in the effective fair invitation contest at the recently concluded Hanover Fair in West Germany. In the fair 6,400 companies from 51 countries participated.

Known as Edward Award, the contest attracted 168 entries from the fair participants. The first prize went to the American multinational ITT. L and T was selected for the award on the strength of its range of promotional material designed to attract visitors to its stall at the Fair.

Swan Mills Maintains

The Directors of Swan Mills Ltd., propose to maintain the dividend of Rs 15 per share for 1981. The turnover has increased from Rs 55.58 crore to Rs 66.59 crore, but the gross profit has gone down to Rs 2.65 crore from Rs 3.11 crore in 1980. The fall in the profit is attributed to the pressure on profit margin and the absorption of losses on account of the amalgamation of Basanti Mills, Calcutta. Exports amounted to Rs 6.21 crore against Rs 5.25 crore in 1980.

The Directors fear that the textile strike in Bombay is bound to have an adverse impact on the near-term outlook for the industry. Consequently, the company plans to review the pace of implementation of its modernisation and renovation programme. They are hopeful, however, the company will be in a position to retrieve the ground lost after the strike is over.

Aegis Chemicals

The fatty alcohol plant of Aegis Chemicals was commissioned in the third quarter of 1981. The Directors say that plans have been developed to set up additional facilities for compression of oxygen generated in production of hydrogen, distillation of glycerine generated in electrification of oils and refining of oils which are raw materials for manufacturing fatty alcohols. The work on oxygen compression and glycerine distillation is in progress.

Mr Hydari said that in order to provide for the future growth of the company, the management is in the process of procuring additional land for a new factory. This would take care of future expansion over the next ten to fifteen years, he added.

Polychem

Polychem has received approval of the Government for expanding the capacity of its alcohol-ethylene unit by 3,000 tonnes a year. The application for the expansion of the styrene plant capacity from 14,000 tonnes to 17,000 tonnes under the automatic growth policy is under the consideration of the Government. The company has received approval for the manufacture of ABS sheets. An application for the expansion of production of the ABS sheets from 2,000 tonnes to 3,000 tonnes a year has been made.

It is proposed to amend the articles of association of the company and the special resolution already adopted at the meeting in December 1981 for the issue of preference shares. The preference shares carrying a dividend rate of 13.5 per cent are to be redeemed at a premium of up to Rs 6 per share of Rs 50 each instead of at par. This amendment has been proposed as the financial institutions, which will be taking up the preference shares, want the shares to be redeemed at premium.

The Directors have said that it is their intention to recommend a dividend of not less than Rs 4 per equity share on the capital as will be raised by the issue of bonus shares.

EID Parry

The EID Parry at its meeting held on May 17 approved the accounts of the company for the year ended December 31, 1981.

The profit after charging interest and depreciation is Rs 330.48 lakh and shows an improvement over the previous year. It has, therefore, been possible for the company to set off the loss carried over from the previous year and provide for the investment allowance reserve of Rs 130 lakh for all the past years, including the year under account leaving a surplus of Rs 2.08 lakh to be carried forward.

The Board decided not to recommend any dividend on both the preference and equity share capital of the company for the year.

Asian Cables

The Chairman of Asian Cables, Mr M.A. Bakre, told shareholders that the company has started pushing up export sales in view of the continued low demand in the domestic market for cables. The exports in 1981 amounted to Rs 2.76 crore against only Rs 69 lakh in 1980 and the order book for 1981 totals Rs 3.40 crore. The export sales are at a reasonable margin of profit.

Mr Bakre has said that adverse trading conditions still persist. For the first four months of 1982, the sales amounted to Rs 6.87 crore. The order book as on April 30, 1982, stood at Rs 7.84 crore. The company is continuing its thrust towards modernisation.

Even in the face of low demand cable units have been increasing their production capacity. Figures show that in 1980-81 installed capacity of power cables had gone up by about 43.7 per cent. Thus, national resources have been wasted in creating further capacity, for which there is no demand in sight and neither existing nor new capacity has gainful usage, he added.

Fit Tight Nuts

Fit Tight Nuts and Bolts has suffered a sharp setback for the year ended September 30, 1981 with its gross profits declining to Rs 39.19 lakh from Rs 1.46 crore for the previous year.

The Directors have proposed to slash the equity dividend to 6 per cent for 1980-81 from 19 per cent paid for the previous year.

The setback is attributed to the prolonged lock-out at the company's plant.

Its net sales have declined to Rs 5.83 crore from Rs 9.75 crore. After meeting provisions for depreciation, investment allowance reserve and taxation, the net profit amounts to Rs 11.86 lakh against Rs 49.96 lakh. The proposed equity dividend will claim Rs 8.06 lakh (Rs 25.54 lakh).

Reliance Textile

The Directors of Reliance Textile Industries state in their latest report that the polyester filament yarn project is expected to commence production in the third quarter of 1982. The company is implementing the modernisation and balancing scheme at Naroda unit at a capital cost of Rs 61.5 crore. On completion of this programme, the company will be upgrading the quality of its products and this will result in a substantial improvement in turnover and profitability.

The modernisation of Sidhpur unit involving an outlay of Rs 12 crore is now under implementation. The company has negotiated a soft loan of Rs 8 crore from financial institutions. Orders for machinery have been placed.

Current Statistics

RECORDS AND STATISTICS

Wholesale Price Movements

Major Group/Group	Weight in relation to 'All Commodities'	Index Number of Wholesale Prices (Base : 1970-71=100) for the week ending					Percentage Variation over			
		8-5-82 Latest week	1-5-82 A week ago	10-4-82 4 weeks ago	13-3-82 8 weeks ago	9-5-81 A year ago	A week	A month	Two months	A year
		Provisional			Final					
ALL COMMODITIES	**1000.00**	**275.5**	**274.6**	**275.7**	**276.5**	**277.1**	**0.3**	**(—)0.1**	**(—)0.4**	**(—)0.6**
I. Primary Articles	**416.67**	**256.9**	**255.6**	**257.1**	**260.6**	**254.3**	**0.5**	**(—)0.1**	**(—)1.4**	**1.0**
(a) Food Articles	297.99	232.2	230.7	231.9	235.4	223.6	0.7	0.1	(—)1.4	3.8
(b) Non-food Articles	106.21	223.5	224.7	227.0	230.0	232.3	0.3	(—)0.7	(—)2.4	(—)3.0
(c) Minerals	12.47	1,114.9	1,114.9	1,114.5	1,114.8	1,175.5	—	Negl.	Negl.	(—)5.2
II. Fuel, Power, Light and Lubricants	**84.59**	**437.2**	**437.2**	**437.7**	**437.7**	**400.5**	**—**	**(—)0.1**	**(—)0.1**	**9.2**
III. Manufactured Products	**498.74**	**263.6**	**262.9**	**263.7**	**262.4**	**275.2**	**0.3**	**Negl.**	**0.5**	**(—)4.2**
(a) Food Products	133.22	242.8	241.6	243.6	247.8	331.5	0.5	(—)0.3	(—)2.0	(—)26.8
(b) Beverages, Tobacco and Tobacco Products	27.08	216.8	216.8	216.6	216.6	218.2	—	0.1	0.1	(—)0.6
(c) Textiles	110.26	226.6	227.2	228.4	229.5	222.9	(—)0.3	(–)0.8	0.9	1.7
(d) Paper and Paper Products	8.51	304.6	304.6	304.6	304.0	270.9	—	--	0.2	12.4
(e) Leather and Leather Products	3.85	356.7	355.8	359.5	357.8	372.9	0.3	(—)0.8	(—0.3)	(—)4.3
(f) Rubber and Rubber Products	12.07	303.2	303.2	303.2	301.6	269.6	—	—	0.5	12.5
(g) Chemicals and Chemical Products	55.48	263.6	262.9	263.6	263.5	254.2	0.3	—	Negl.	3.7
(h) Non-metallic Mineral Products	14.15	358.4	359.5	261.2	361.7	289.3	(—)0.3	(—)0.8	(—)0.9	23.9
(i) Basic Metals, Alloys and Metal Products	59.74	348.3	348.3	348.3	333.7	305.0	—	—	4.4	14.2
(j) Machinery and Transport Equipment	67.18	273.9	270.8	269.6	271.1	259.6	1.1	1.6	1.0	5.5
(k) Miscellaneous Products	7.20	241.0	241.0	241.0	241.0	239.0	—	—	—	0.8

Negl.=Less than ±0.05 per cent.

Source : Office of the Economic Adviser, Ministry of Industry, Government of India.

Movements in Consumer Prices : 1970-1971 to 1982

(Monthly Averages or Calendar Months) (Index Numbers with Base: 1960=100)

Year/Month	For Industrial Workers					For Urban Non-manual Employees				
	All-India*	Bombay	Calcutta	Delhi	Madras	**All-India****	Bombay	Calcutta	Delhi—New Delhi	Madra
1970-71	**186**	182	182	199	170	**174**	168	170	174	175
1975-76	**313**	300	287	333	314	**277**	246	243	273	306
1976-77	**301**	298	297	332	288	**277**	255	251	274	294
1977-78	**324**	318	320	358	311	**296**	269	265	288	311
1978-79	**331**	325	331	368	318	**306**	285	279	303	321
1979-80	**360**	359	351	389	350	**330**	315	297	321	350
1980-81	**401**	400	382	426	388	**369**	347	331	352	390
1981-82	**451**	460	414	472	446	**413**	393	367	395	439
March, 1981	**420**	423	385	438	410	**385**	359	345	367	412
April, 1981	**427**	435	397	448	412	**391**	372	348	372	414
May, 1981	**433**	442	399	453	420	**396**	377	353	377	420
June, 1981	**439**	450	406	461	428	**401**	380	358	383	426
July, 1981	**447**	459	408	476	452	**411**	387	364	397	434
August, 1981	**454**	462	412	480	457	**417**	394	368	408	440
September, 1981	**456**	458	423	480	455	**418**	396	372	403	441
October, 1981	**460**	466	429	481	454	**420**	400	376	402	445
November, 1981	**462**	470	426	480	463	**421**	401	375	401	450
December, 1981	**460**	469	426	474	461	**420**	401	374	398	450
January, 1982	**459**	468	419	476	454	**421**	403	374	396	451
February, 1982	**458**	469	413	474	453	**420**	403	371	398	449
March, 1982	**457**	468	416	484	448	**423**	403	374	408	477

*Based on indices of 50 centres. **Based on indices of 45 cities and towns.

Sources : Labour Bureau (Ministry of Labour), Government of India and CSO, Ministry of Planning, Government of India.

Index Numbers of Industrial Production: 1975-1982

(Monthly Averages or Calendar Months) (Base: 1970 = 100)

Year/Month	Source Classification				Use-based Classification*						Input-based Classification*			Sectoral Indicators*	
	General Index (Crude)	Mining and Quarrying	Manufacturing	Electricity	Basic Industries	Capital Goods Industries	Intermediate Industries	Consumer Goods Industries			Agro-based Industries	Metal-based Industries	Chemical-based Industries	Transport Equipment & Allied Industries	Energy Output@
								Total	Durable Goods	Non-durable Goods					
Weight	100·00	9·69	81·08	9·23	32·28	15·25	20·95	31·52	3·41	28·11	33·68	21·93	12·86	10·79	18·51
1975	**119·2**	127·9	116·0	138·6	129·0	130·1	113·7	107·4	106·0	107·6	106·1	123·1	128·9	116·1	132·0
1976	**133·7**	136·8	130·3	160·3	147·5	143·8	122·2	118·4	120·0	118·2	112·2	135·4	151·0	132·6	146·6
1977	**138·3**	139·9	135·1	165·4	155·0	151·7	125·8	126·0	137·0	124·6	114·8	144·8	161·4	130·9	151·4
1978	**147·8**	142·2	144·4	183·6	162·4	156·8	135·8	138·3	147·9	137·1	124·5	154·3	177·8	132·0	163·1
1979	**149·5**	148·5	144·6	193·0	166·2	161·0	139·6	135·3	156·8	132·7	121·6	157·7	183·2	134·6	171·6
1980	**150·6**	144·2	146·1	197·3	164·6	168·4	140·7	135.9	162·3	132·7	125·3	162·2	178·8	136·6	171·0
1981 (P)	**164.3**	170·2	157 6	219.6	188. 2	181·3	146·5	146·2	162. 2	144·6	133·0	171·6	203·0	149·8	197·2
July, 1981	**163·5**	158 0	157·9	219·0	181·9	178·1	151·5	147·6	162·0	145·9	136·2	170·0	203·9	157·8	193. 7
August, 1981	**161.5**	152.0	155·5	224.1	184.4	177.2	149.5	139 7	150·0	138.5	130·7	167.6	205.4	152.8	19 ·7
September, 1981	**162·2**	159.0	155.8	221.9	183·7	188·4	148·6	137·7	151·9	136·0	129 9	174 6	200·1	145·5	19^{2}. 5
October, 1981	**160·4**	165.0	154.9	226.4	190·0	175·5	147·0	140·0	154·2	138·3	125. 9	165·8	216·4	145 2	19^{3}. 2
November, 1981	**168·2**	178·0	161·7	219. 5	192·4	185·9	148·6	151·9	167·8	150 0	136·3	175 6	215 5	153·4	201^{9}·0
December, 1981	**180.9**	197·0	173·5	229. 7	205·9	199·1	156. 3	163·3	177·5	165·4	148·4	186.5	230·1	165·6	215·8
January, 1982	**178 6**														
February, 1982	**165.9**														
A year ago†	**161. 2**	165·0	164·7	216·0	185·7	193·7	146·5	157·8	175·6	155·6	143·6	183·3	197·0	151·1	188·2

Note: —Figures for the *last three* months are provisional and *generally* subject to revision. *Derived series (R.B.I. Classification). Revisions are carried out in the group indices as and when advised by the C.S.O. @Consists of coal and lignite, petroleum crude and products, and electricity.

†Figures in this row relate to that month in the previous year corresponding to the latest month for which data are presented.

Original Source: Central Statistical Organisation.

Statement of Affairs of the Reserve Bank of India : 1977-78 to 1982

(Issue and Banking Departments Combined)

(Rs. Crores)

s on last Friday/ Friday	LIABILITIES: Notes in Circulation	Deposits: Total	Deposits: Of which Central and State Governments	Deposits: Of which Scheduled Commercial Banks	Other Liabilities	Total Liabilities/ Assets 1+2+3 = Total 5 to 11	ASSETS: Foreign Exchange Assets[1]	Gold Coin and Bullion	Government of India Rupee Securities	Loans and Advances: Total	Of which State Governments[2]	Of which Scheduled Commercial Banks	Bills Purchased and Discounted	Investments	Other Assets[3]
	(1)	(2)	(2a)	(2b)	(3)	(4)	(5)	(6)	(7)	(8)	(8a)	(8b)	(9)	(10)	(11)
977-78	8,602	6,287	2,771	1,674	2,927	**17,816**	3,889	193	6,645	2,106	402	331	2,809	1,077	1,096
978-79	10,267	4,876	723	2,634	3,222	**18,365**	4,655	219	7,366	2,352	170	546	1,675	852	1,246
979-80	11,820	5,863	710	3.634	4,169	**21,852**	4,782	225	8,891	2,780	191	739	2,516	1,255	1,404
980-81	13,733	6,520	788	4,092	5,108	**25,361**	4,320	226	12,238*	3,504	599	589	3,162	465**	1,446
981-82	14,752	7,249	276	4,883	6,386	**28,386**	2,838	226	14,841*	5,484	1,906	831	3,191	456**	1,352
anuary, 1982	14,267	6,816	67	4,665	6,118	**27,201**	3,283	226	12,065	4,902	1,555	682	2,903	2,506	1,315
ebruary, 1982	14,543	6,555	58	4,475	6,273	**27,371**	2,789	226	14,496*	5,140	1,697	710	2,921	462**	1,337
arch, 1982	14,752	7,249	276	4,883	6,386	**28,386**	2,838	226	14,841*	5,484	1,906	831	3,191	456**	1,352
pril 2, 1982	14,946	7,330	270	4,868	6,686	**28,962**	2,930	226	15,234*	5,131	1,546	743	3,371	436**	1,634
pril 9, 1982	15,444	7,363	90	5,171	6,396	**29,203**	2,926	226	15,143*	5,435	1,886	760	3,436	436**	1,603
pril 16, 1982	15,650	7,308	1,053	4,108	6,286	**29,245**	2,952	226	15.098*	5,701	2.298	643	3,441	355**	1,473
pril 23, 1982	15,570	7,758	683	4,647	6,341	**29,670**	3,250	226	14,621*	5,777	2,416	616	3,899	358**	1,539
year ago	14,139	5,687	89	3,969	5,451	**25,275**	4,209	226	12,563*	3,602	870	546	2,632	473**	1,568

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[1] Foreign securities plus balances held abroad. The latter includes cash, short term securities and fixed deposits. [2] Including temporary overdrafts.
[3] Including rupee coins and Government of India one rupee notes. * Including *ad-hoc* treasury bills. ** Includes investments in foreign shares/bond but excludes those in rupee securities.

All Scheduled Commercial Banks –Business in India : 1977-78 to 1982

(Amounts in Rs. Crores

s on last Friday/ Friday	Deposits: Demand	Deposits: Time	Deposits: Aggregate (1a+1b)	Borrowings from Reserve Bank[1]	Cash in hand and Balances with Reserve Bank[2]: Cash in hand	Balances with Reserve Bank[2]	Total 3a+3b	Investments: Government Securities[3]	Other Approved Securities	Total (4a+4b)	Bank Credit[4]: Total	Of which Food Credit	Select Ratios (in per cent): Cash to Deposit	Investment to Deposit	Credit to Deposit	Food Credit to Total Bank Credit
	(1a)	(1b)	(1) =	(2)	(3a)	(3b)	(3)	(4a)	(4b)	(4)	(5)	(5a)	(6)	(7)	(8)	(9)
977-78	4,872	17,340	**22,212**	331	469	1,674	**2,143**	5,907	1,990	**7,897**	**14,939**	1,984	9·65	35·55	67·26	13·28
978-79	5,826	21,190	**27,016**	546	557	2,634	**3,191**	6,621	2,488	**9,109**	**17;795**	2,210	11·81	33·72	65·87	12·42
979-80	6,643	25,116	**31,759**	739	616	3,634	**4,250**	7,444	3,181	**10,624**	**21,537**	2,100	13·38	33·45	67·81	9·75
980-81	7,798	30,190	**37,988**	589	766	4,092	**4,858**	9,219	3,967	**13,186**	**25,371**	1,759	12·79	34·71	66·79	6·93
981-82	8,494	35,256	**43,750**	831	802	4,883	**5,685**	10,129	4,993	**15,122**	**29,599**	2,131	12·99	34·56	67·65	7·20
anuary, 1982	8,615	34,802	**43,416**	682	864	4,665	**5,529**	9,897	4,907	**14,804**	**29,785**	2,433	12·73	34·10	68·60	8·17
ebruary, 1982	8,618	34,821	**43,440**	710	833	4,475	**5,308**	9,846	4,994	**14,839**	**29,777**	2,352	12·22	34·40	68·55	7·40
arch, 1982	8,494	35,256	**43,750**	831	802	4,883	**5,685**	10,129	4,993	**15,122**	**29,599**	2,131	12.99	34. 56	67·65	7. 20
pril 2, 1982	8,467	35,227	**43,694**	743	796	4,868	**5,664**	10,317	4,997	**15,314**	**29,841**	2,045	12·96	35·05	68·30	6·85
pril 9, 1982	8,387	35,321	**43,708**	760	791	5,171	**5,963**	10,460	5,049	**15,509**	**29,801**	2,149	13·64	35·48	68·18	7·21
pril 16, 1982	8,477	35,498	**43,975**	643	803	4,108	**4,911**	11,509	5,063	**16.573**	**30,177**	2,132	11·17	37·69	68·62	7·06
pril 23, 1982	8,451	35,548	**43,999**	616	815	4,647	**5,462**	11,306	5,074	**16,380**	**29,802**	2,128	12·41	37·23	67·73	7·14
pril 30, 1982	9,551	35,658	**44,210**	638	831	4,950	**5,781**	11,181	5,079	**16,260**	**29,728**	2,113	12·08	36·78	67·24	7·11
ay 7, 1982	8,375	35,726	**44,101**	742	832	5,055	**5,887**	10,714	5,068	**15,783**	**29,669**	2,126	13·35	35. 79	67·27	7·17
year ago	7,653	31,079	**38,732**	562	787	4,084	**4,871**	10,154	3,979	**14,133**	**25,929**	1,728	12·58	36·49	66·94	6·66

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[1] As available in the Reserve Bank records. [2] As per the statement of affairs of the Reserve Bank of India. [3] At book value; including treasury bills and treasury deposit receipts, etc. [4] Effective July 27, 1979, the data are inclusive of *all* participation certificates (PCs) issued by scheduled commercial banks, i.e. to other banks *and* financial institutions. Prior to this date, the data were inclusive of PCs issued to *banks only and not to financial institutions.*

Money Stock Measures

(Rs. Crores)

As on last Friday/Friday	Currency with the Public		Deposit Money of the Public		M_1 (1+2)	Post Office Savings Bank Deposits	M_2 (3+4)	Time Deposits with Banks	M_3 (3+6)	Total Post Office Deposits	M_4 (7+8)
	Total	*Of which* Notes in Circulation	Total	*Of which* Demand Deposits with Banks							
	(1)	(1a)	(2)	(2a)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1977-78	8,631	8,631	5,757	5,687	**14,388**	1,677	16,065	18,518	**32,906**	4,130	37,036
1978-79	10,220	10,212	7,009	6,843	**17,229**	1,850	19,079	22,632	**39,861**	4,777	44,638
1979-80	11,699	11,789	8,248	7,857	**19,947**	2,036	21,983	26,845	**46,792**	5,658	52,450
1980-81	13,453	13,688	9,747	9,336	**23,200**	2,334	25,534	32,445	**55,445**	6,632	62,077
1981-82	14,445	—	10,304	10,138	**24,749**	—	—	37,532	**62,281**	—	—
June, 1981	13,976	14,393	9,918	9,796	**23,895**	2,241	26,136	34,251	**58,146**	6,650	64,796
September, 1981	13,221	13,502	9,783	9,618	**23,004**	2,259	25,263	35,709	**58,713**	6.847	65,560
October, 1981	13,935	14,306	10,120	9,949	**24,055**	2,259	26,314	36,070	**60,125**	6,901	67,026
November, 1981	13,739	14,059	10,076	9,936	**23,815**	2,259	26,074	36,442	**60,257**	6,972	67,229
December, 1981	13,731	14,068	10,834	10,640	**24,565**	2,268	26,833	37,145	**61,710**	7,046	68,756
January, 1982	13,899	14,224	10,421	10,244	**24,320**	2,268	26,588	37,122	**61.442**	7,046	68,488
February 1982	14,213		10,291	10,178	**24,504**			37,049	**61,553**		
March, 1982	14,567		10,268	10,143	**24,835**			37,088	**61,923**		
April 2, 1982	14,645		10,406	10,158	**25,051**			37,518	**62,569**		
April 9, 1982	15,148		10,267	10,109	**25,415**			37,621	**63,036**		
April 16, 1982	15,342		10,379	10,195	**25,721**			37,799	**63,520**		
A year ago	14,017		9,520	9,231	**23,537**			32,871	**56,408**		

Sources of Change in M_3

(Rs. Crores)

As on last Friday/ Friday	Net Bank Credit to Government			Bank Credit to Commercial Sector*			Net Foreign Exchange Assets of Banking Sector			Government's Currency Liabilities to the Public	Banking Sector's Net Non-monetary Liabilities (Other than Time Deposits)			M_3 (1+2 3+4 —5)
	RBI's Net Credit	Other Banks' Credit	Total (1a+1b)	RBI's Credit	Other Banks' Credit	Total (2a+2b)	RBI's	Other Banks'	Total (3a+3b)		of RBI	Residual	Total (5a+5b)	
	(1a)	(1b)	(1)	(2a)	(2b)	(2)	(3a)	(3b)	(3)	(4)	(5a)	(5b)	(5)	(6)
1979-80	12,405	7,696	**20,101**	1,546	29,084	**30,630**	5,388	—93	**5,295**	**592**	4,558	5,268	**9,826**	**46,792**
1980-81	16,443	9,504	**25,947**	1,700	34,579	**36,279**	4,823	—93	**4,730**	**609**	5,360	6,760	**12,120**	**55,445**
1981-82	19,667	10,436	**30,103**	1,909	40,572	**42,481**			**2,579**	**624**	6,099	7,407	**13.506**	**62,281**
June, 1981	17,278	10,282	**27,560**	1,689	35,849	**37,538**	4,248	—45	**4,203**	**618**	5,107	6,666	**11,773**	**58,146**
September, 1981	17,054	10,602	**27,656**	1,784	36,838	**38,622**	3,608	—45	**3,563**	**615**	5,153	6,590	**11,743**	**58.713**
October, 1981	18,134	10,406	**28,540**	1,775	38,160	**39,935**	3,543	—45	**3,498**	**622**	5,442	7,028	**12,470**	**60,125**
November, 1981	18,017	10,840	**28,857**	1,801	38,431	**40,232**	3,373	—45	**3,328**	**624**	5,581	7,203	**12,784**	**60,257**
December, 1981	18,082	10,428	**28,510**	1,872	39,672	**41,544**	3,238	—45	**3,193**	**624**	5,665	6,496	**12,161**	**61,710**
January, 1982	18,642	10,220	**28,862**	1,909	40,238	**42,147**	2,941	—45	**2,896**	**624**	5,866	7,221	**13,087**	**61,442**
February, 1982	19,063	10,155	**29,218**	1'912	40,303	**42,215**			**2,535**	**624**	5,997	7,042	**13.390**	**61,553**
March, 1982	19,384	10,184	**29,518**	1,911	40,236	**42,147**			**2,453**	**624**	6,099	7,012	**12,819**	**61,923**
April 2, 1982	19,887	10,639	**30,526**	2,030	40,796	**42,826**			**2,650**	**624**	6,116	7,941	**14,057**	**62.569**
April 9, 1982	20,379	10,788	**31,167**	2,028	40,803	**42,836**			**2,647**	**624**	5,868	8,370	**14,238**	**63,036**
April 16, 1982	19,787	10,836	**31,623**	2,028	41,203	**43,231**			**2,592**	**624**	5,907	8,643	**14,550**	**63,520**
A year ago	16,327	10,273	**26,600**	1,709	34,890	**36,599**			**4,630**	**609**	5,003	7,027	**12,030**	**56,408**

*Includes public sector enterprises.

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This Week

May 26

The pound sterling became costlier by 5 paise following RBI's devaluation of the rupee by 0.30 per cent. With this revision, the 44th this year, the new middle rate is Rs 16.85 against the earlier Rs 16.80 per pound.

The Union Government announced a 15 per cent reduction in postal tariffs to Pakistan effective from June 1.

The Government has allowed Coal India Ltd and the Singareni Collieries Ltd to raise prices to ensure a 10 per cent return on their equity.

May 27

Haryana Chief Minister Bhajan Lal's new Ministry comprising 12 Cabinet Ministers besides himself and six Ministers of State was installed in office.

For exporting chilly powder under OGL in small packs (of two kg or less) letter of credit terms may not be insisted upon, according to an official release.

About 18 lakh tonnes of wheat have so far been procured by different Government agencies at various places in Punjab according to Mr Bhagwan Dass, Food and Supplies Minister of the State.

May 28

The drug industry has agreed to pay a higher uniform margin of 18 per cent to the retail chemists and druggists for prescription of drugs and CTC products, and a margin of eight per cent to distributors.

Chief Election Commissioner S. L. Shakdher advocated automatic forfeiture of membership of any legislator changing his party affiliation or independent status after election.

The International Wheat Council (IWC) forecast another record production year, predicting that the world crop would be between 465 and 470 million tonnes.

May 29

Hindustan Insecticides Ltd (HIL) bagged its first export order for 100 tonnes of technical malathion, valued at Rs 25 lakhs, from Central America.

Cracks appeared in the five-day-old Left Front Ministry of West Bengal when two of its constituents made public their displeasure at an attempt by the CPI (M) to change the portfolios of Front partners.

May 30

The US Government has seized from American companies more than $23 million in defence related strategic materials and technology, much of it bound for Soviet bloc countries, according to that country's customs service.

The tourism industry has warned the Government that the proposed move for the withdrawal of exemption from visas for tourists will adversely affect the growth of the industry.

May 31

The pound sterling became cheaper by 10 paise following the upvaluation of the rupee by 0.6 per cent by the Reserve Bank of India. It fixed a new middle rate at Rs 16.75 against the earlier Rs 16.85 per pound.

The Minerals and Metals Trading Corporation (MMTC) has got a 15 per cent price increase for about 2.5 million tonnes of iron ore it supplied to South Korea during the current financial year.

June 1

The 10-year social security certificate scheme launched all over India found instant favour with small investors across the country.

The Union Government revised the duty drawback policy by extending its coverage, for the first time, to project exports and to about 100 more items.

The Minerals and Metals Trading Corporation (MMTC) reduced the selling price of electrolytic copper wire bars, continuous cast copper wire rods, electrolytic high grade and special high grade zinc, pig-lead and tin.

eastern
ECONOMIST

Coal Price Raise

WITH THE mini general election over, the Union Government has announced, effective from May 27, an increase in the average price of coal from Rs 126.02 to Rs 145.9 per tonne for Coal India Limited (CIL) and its subsidiaries and from Rs 136.85 to Rs 154.75 a tonne for the Singareni Collieries. The price of soft coke has been scaled up by Rs 25 to Rs 175 per tonne. The decision was taken about four months ago, but its announcement had been withheld for fears of its serious repercussions on the economy on election-eve. These fears were not unwarranted : coal is an essential input of the economy and hike in its prices has a wide-ranging effect.

In view of the necessity to rationalise the pricing structure of basic industries, specially in the public sector, the losses of which have to be met by the Central exchequer, some increase in coal prices was warranted. Production costs have gone up significantly due to inflation. The decision is claimed to have been taken after an in-depth study of coal cost structure, which has indicated that notwithstanding an impressive increase envisaged in output this year, for the third year in succession, the CIL alone would have lost, on the basis of the February 14, 1981 revision, as much as Rs 110 crores, as against making a profit of Rs 26 crores last year. Last year too profitability was eroded to no small extent as originally the profit was anticipated around Rs 60 crores. The February 14, 1981 revision, along with an impressive increase in production and productivity in that year, had helped contain the expected loss of Rs 126 crores to Rs 33.34 crores. The Singareni Collieries incurred a loss of Rs 21.09 crores in 1980-81, but is expected to show a marginal profit in 1981-82. This undertaking as well would have gone into red again had coal prices not been stepped up.

Some cushion appears to have been provided in the revised prices for future cost escalations so that further adjustments can be obviated for some time. But is the average increase fully justified ?

The cost plus reasonable return on investment formula, indeed, is a useful one for the fixation of prices of essential inputs if it is taken resort to on economic considerations. Comparison with international prices or the fixing of prices on the consideration of what the market can bear have serious implications. The former is not a just comparison in view of the different conditions prevalent in different countries. The latter is fraught with danger, specially when coal shortage is a recurring phenomenon. The costs of basic inputs also have all pervading impact on the economy. Undue increases in their prices can play havoc with the price level.

The pricing of coal in India has got vitiated by various factors. Inordinate delays in the implementation of development programmes have escalated their costs abnormally. There is also about 50,000 surplus workforce employed by the industry on considerations other than economic. Further, mafia activities in the eastern region have been on the increase, accentuating malpractices. The incremental capital output ratio in mining and quarrying has nearly doubled during the 1970s to 8 : 11 as a consequence of serious lags in the implementation of deep mining developmental plans. Productivity per manshift, though it has improved somewhat during the last two years, still leaves much to be desired. The fairly impressive fresh investments which have gone into the coal sector in the recent years have yet to yield full returns. This should suggest that the hike effected in coal prices has been somewhat excessive. Care, therefore, will have to be taken to see that it does not make the producer companies complacent about cost containment endeavours, particularly through raising production.

That there is significant scope for better utilisation of the already created production facilities is evident from the fact that after about four years of near stagnation, the industry was able to step up output from 103.95 million tonnes in 1979-80 to 114.01 million tonnes in 1980-81 and further to 124.91 million tonnes last year. The targets set for both 1980-81 and 1981-82 were excelled. This year production is envisaged to be raised to 135 million tonnes. This level can well be surpassed if the output per manshift (OMS) is improved more significantly than is proposed. The increases in OMS envisaged in the case of Central and Western Coalfields of CIL and the Singareni Collieries are fair. But the same cannot be said about the Eastern Coalfields and Bharat Coking Coal : they are too modest in comparison with the trends in the past two years. The Union Ministry of Energy has been toying with the idea of introducing retention prices for the different producers of coal. What useful purpose this will serve is a moot point. Production of coal is primarily in the public sector, except about three million tonnes produced by TISCO from its captive mines. Retention prices have got no meaning for the unauthorised output in some small areas. What is required is concerted endeavour on the part of both CIL and the Singareni Collieries to streamline their operations, besides curbing of mafia activities in the eastern coal belt. A fresh look at the loss in transit to consuming areas too can yield some dividends. The current norms are quite excessive.

Central Subsidy for Industry

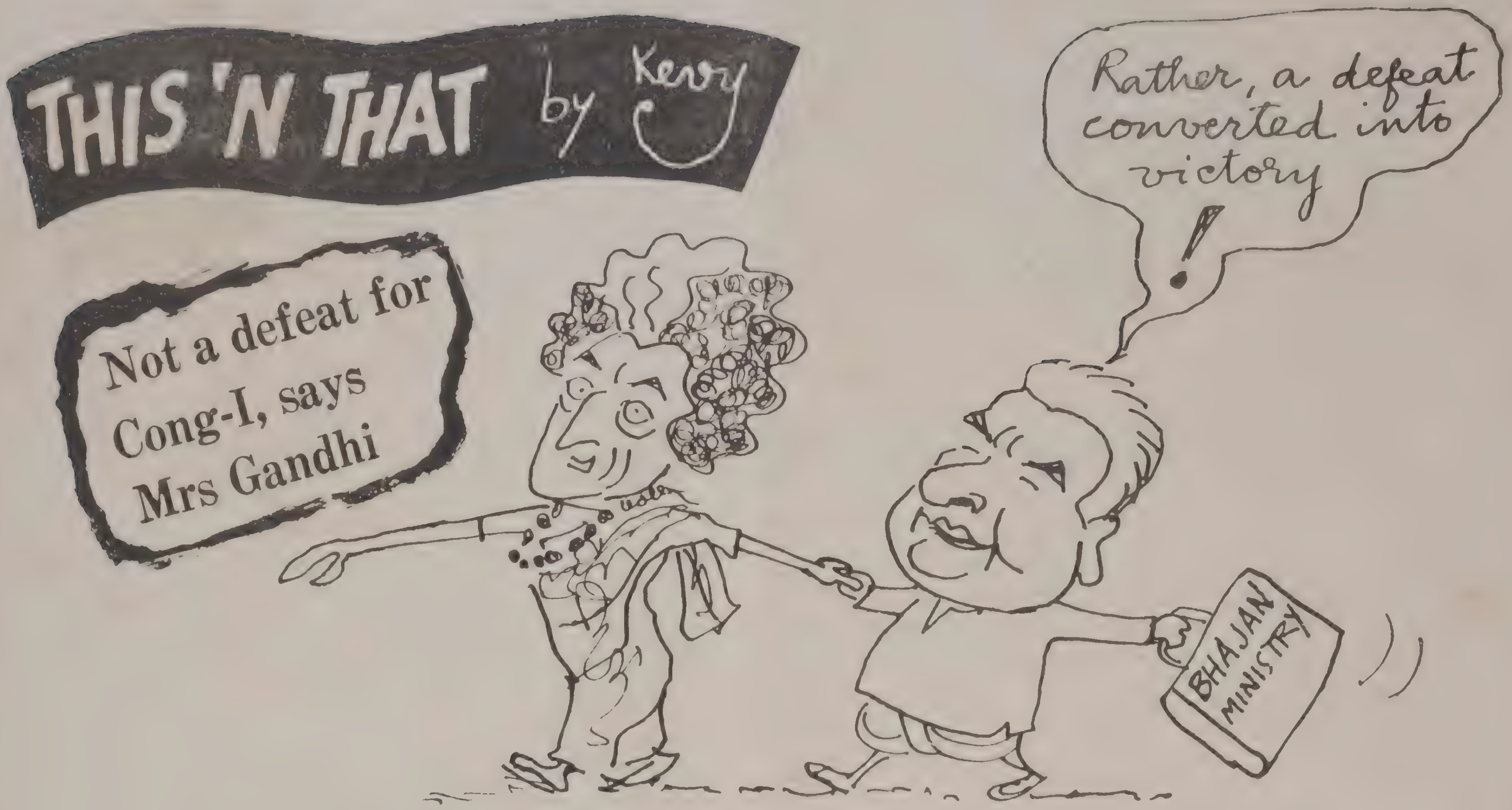
THE FINDINGS of the Programme Evaluation Organisation (PEO) of the Planning Commission that only a few large and medium industrial units and three relatively more industrialised States have benefited most from the Central investment subsidy provided for putting up industries in the backward areas need not cause any surprise. The PEO in its report on concessional finance and other incentives to the industrially backward areas says that of the total number of units assisted upto the end of March, 1979, the large-scale ones, with investment of Rs 50 lakhs and above, which formed only 3.4 per cent of the beneficiaries, appropriated as much as 53.3 per cent of the total subsidy disbursed. Another 25.2 per cent share was claimed by medium units, with investment between Rs 10 lakhs and Rs 50 lakhs even though they constituted only 5.4 per cent of the total number of units assisted. Small units, with investment upto Rs 10 lakhs, received disbursements to the tune of only 21.5 per cent while they constituted 91.2 per cent of the beneficiaries. On an average, the larger undertakings received Rs 10.7 lakhs per unit, the medium ones Rs 3.1 lakhs and the small ones Rs 20,000. The three States, relatively more industrially advanced, which benefited the most were Maharashtra, Tamilnadu and Karnataka.

The reasons for this phenomenon are not far to seek. They obviously include the inadequacy of infrastructure facilities in the backward areas in most other States, the cumbursome procedures involved in availing of the subsidy notwithstanding the claims about the assistance being provided to small-scale and new entrepreneurs under one roof through the district industries centres or such other set-ups and the near-uniform level of the additional assistance provided for the purpose by State Governments. If there is not much difference in the State level assistance, an entrepreneur, obviously, will prefer to set up a unit where infrastructure facilities are not a major bottleneck and in States where he has not to contend with undue hardships.

The suggestion of the PEO that soft loans on a significant scale should be made available to the State Governments and other involved agencies in developing infrastructure in the backward areas in a planned manner, of course, is quite useful. But it can have the contrary effect of the State Governments becoming even more lax in their endeavours to fill the infrastructure gaps on their own. The experience of Punjab and Haryana is a clear indication of what a State Government can do if it applies its mind to the basic issue of building up infrastructure facilities. Provision of props to inefficient States obviously is not the answer. The State Governments have to energise themselves to perform this basic task.

It is also imperative that the more industrially backward States should come forward with better incentives to attract industrial entrepreneurs. Near-unformity in this respect does not make much sense. Efforts as well need to be made to translate the concessions provided into actual practice instead of keeping them just on paper. The rules and regulations governing the setting up of industrial units too need a fresh look to eliminate unnecessary irritants, especially in the less industrially developed States. The PEO has pertinently observed that majority of the assistance schemes of the State Governments are neither operationally effective nor useful: they often work at cross purposes.

The grievance of the PEO that a large proportion of the concessional assistance provided by commercial banks and financial institutions too followed the general pattern of Central subsidy is hardly tenable. They are not charitable institutions: they can assist only the viable schemes. As viability of projects depends to a great extent on easy access to raw materials and workforce and arrangements that can be made for marketing of products, industry can proliferate to the rural areas only if these three basic requirements, along with adequate power availability, are met. The finding of the PEO that the weaker sections, younger age groups and the educated unemployed have been discriminated against in the sanction and disbursement of concessional assistance, of course, needs to be thoroughly gone into and the weaknesses in the administrative set-up for assisting these categories should be expeditiously identified and remedied.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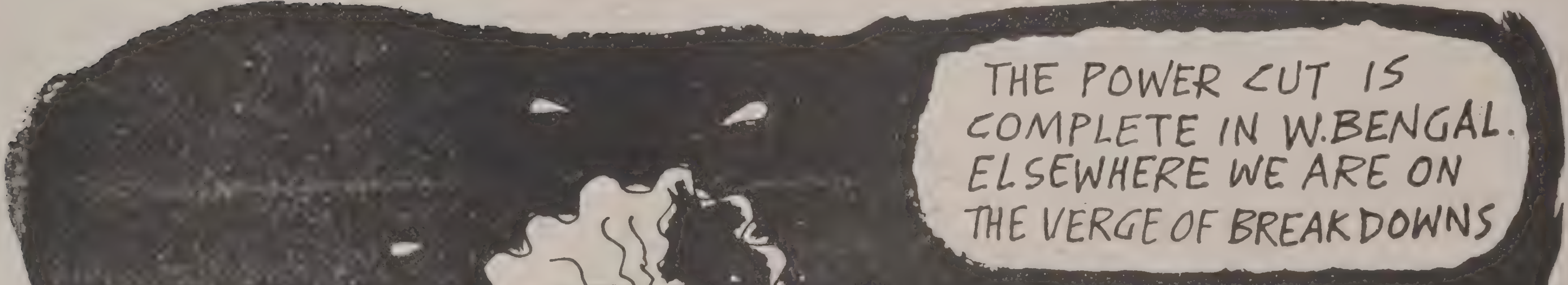
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Economic Planning in the Vibrant Third World

Dr. S. K. Ray

In the Third World, economic planning is gradually emerging, not as a natural phenomenon being thrown up from the economy itself in the nature of a normal systems-growth. Like angry young men, these new economies, most of which have remained under centuries of colonial exploitation, are all nations in a hurry, all anxious to make up for lost time. Most of these countries, therefore, are increasingly taking recourse to programmed economic growth on a format-plan.

A representative economic period-plan in a Third World country can be christened as a plan of expediency. Whatever system or arrangement, sometimes even an assorted inter-mix is expedient for these countries and the same is being adopted. The objective in all cases is to try to break the fetters that have shackled the economy in low-key equilibrium or in a state of structural disequilibrium.

Western Example

Before we undertake an analysis of the development of organized economic planning in the emerging Third World, let us see how this evolved in some of the western countries which have been the forerunners. Even though conceptually there have been wide chasms in the pattern of economic planning in these countries, it would be worthwhile to appreciate the broad profile in each such country.

In the United States of America there is no formal economic planning. In Soviet Russia, the entire gamut of socio-economic development is programmed and executed to the minutest details on the scrupulous dictates of the Gosplan. In between, there are a large number of intermediate countries, which have taken to the development of economic planning of various degrees and shades to project, promote and monitor a socio-economic resurgence. This is particularly relevant to the developing economies of the Third World in South East Asia, Latin America and New Africa.

In some countries, economic planning more or less has assumed the position of 'the national charter of development', whereas in case of a few others it stands for 'diagnosis, prognosis and programme'. Whereas in an East European country, it appeared to be a case of planning under duress', in the case of a Third World developing economy it may be only marginally more than 'an exercise in economic arithmetic'.

The Forties

Amongst the economic thinkers in the Forties, the issue of formulating a national plan for economic development was being actively considered in the United States of America. It was felt that the USA was pursuing a beehive pattern of economy, where there were innumerable individual projects, in all fields of economic activity, being pursued in the nature of innumerable sockets by individual, even though frequently corporate, interests, sometimes in open competition with one another, and all, taken in their aggregated totality, making for an efficient capitalistic pattern of economic development. And, if all these efforts could be integrated on the basis of a well-conceived pre-determined format-plan, it would further optimise and accelerate economic development.

Stuart Chase was in the forefront of US economists who believed in 'an overall aggregate plan of development' that could accommodate developmental thinking for the whole community and formulate a plan or charter of development for regional as also national growth.

This view, however, did not, proliferate beyond the confines, as was said, of 'some cloistered economists'. In fact, the United States of America has not as yet taken up formal economic planning as an instrument of growth. There are, of course, the regular Presidential Reports, which set out the objectives for economic development and the long-range programme for resource-utilisation "Such economic objectives are not to be confused with economic blueprints or plans used in regulated economies. They are conceived simply as bench marks for the orientation of private enterprise and public policies".

The objection to the centralised 'mountain-view' vision in economic planning is still quite strong in the USA. Talking of such over-view planning, it has been pontificated that conferences or working groups or commissions that produced such plans do little beyond the production of occasional reading matter.

This, then, is the orientation to economic planning in USA, and we may not go into further details in the present dissertation devoted principally to the economic problems of the Third World.

Russian Gosplan

On the other hand, economic planning of the State is rather pervasive under the Gosplan-network in the Soviet Union. Planning on a global basis started in the USSR in the Twenties with the launching of the five-year plans. From the Gosplan at the apex levels, the planning machinery proliferated during the successive decades over the republic and all sectors of economic activity in the republic came under the purview of the Gosplan network.

The format of the Russian planning network is from the apex to the base or from the centre to the periphery. It is somewhat protoplasmic in its structure, with the neuclei of central and regional Gosplans performing as the nerve-centres of both policy and execution. The will of the State is evident everywhere, as also the fiat. Things, therefore, are organised on a rather martial formation and discipline, and things just get done down the line and the economic programmes performed to the letter.

The economy being totalitarian, and the enforcement complete, translation of the economic charter is smoother than it can be elsewhere in a democratic country, where labour dissentions, very frequently, affect the productivity of the economy. At the same time, competition of the *laissez faire* variety is more or less absent. Therefore, one of the elan vitals of a free-market economy, the economics of competition, which brings the norms of efficiency to the surface as also the survival of the efficient (productive) units or even factors at the cost of those, in respect of which the marginal efficiency is negative, (and the latter usually languish or go down under), is almost completely absent in the case of the Gosplan economy.

Nevertheless, a succession of five year plans, commencing from 1928 to date, has more than anything else revolutionised the economic development of USSR with results that are both startling and breath-taking. The emphasis in these plans has been overwhelmingly on avalanches of investment and optimisation of productivity of all resources.

Elaborate Projection

Under Soviet planning, the patterns of growth are projected to match the needs of the economy, both domestic as also international, targets of growth for the various economic sectors carefully delineated, assignments are appropriately earmarked between the different units or groups of units, and clear-cut responsibilities laid, down to the lowest level, and then the said job-responsibilities are ruthlessly monitored.

Under the Soviet system, therefore, areas of wastages are adroitly located, quickly remedied, and economies of scale derived all along the economic corpus. While competition does not keep the economic entrepreneurship on the alert as it does in the USA, rigorous performance-budgeting ensures that the individual does contribute his optimum.

As far as economic planning is concerned, France stands between the USA and the Soviet Union, and, has been the source of inspiration in the matter of economic planning for a large number of Third-World countries including India. In France, it is neither free enterprise that is being given complete independence to work to the bench marks of economic objectives set out in the Presidential Reports as in the USA, nor is it the completely regimented centralised planning as in Soviet Union,

Even though in the French system of planning the emergence of the State as a vital catalytic agent has been both steady and extensive, France has more or less selected, in its concept of economic planning, the indirect and rather parental methods of control over large proportions of the national scenario. The tenor of planning, therefore, has been more indicative than directive in the national economic firmament.

French Achievement

The wisdom of the French system of planning is attracting increasing attention in today's world, particularly in the developing economies, where it is extremely essential to develop the catalytic functions of the State so as to exploit the resources and capabilities of the body politic for achieving lasting socio-economic results. Even though it has chosen the path of decentralisation, judged by the results of both quantitative and qualitative economic growth, the French system has apparently much to commend itself.

France today is in fact a baffling example of a planned economy, where the rate of progress is exceedingly high and the principle of planning is based on market operation and a decentralised proliferation of both production and investment.

Eschewing the rather trial and error methods adopted immediately after the Second World War, France's first serious step forward in national economic planning started with the creation of a General Planning Commission and the emergence of the Monnet Plan. Monnet actually headed the Commission. This was a six-year charter of development commencing from 1947 (the year India attained independence).

The Monnet Plan has been frequently described as the basic-sectors plan, as this had delineated six basic sectors, all vital to the economy, and took to the task of actively programming and participating in their planning and development. These basic sectors were steel, cement, farm machinery, coal, electricity and transportation. Later, fuel and fertilisers were added to the basic sectors, in some countries like India being called the core sectors.

Coordinated Targets

In the basic sectors, production and investment targets were well-coordinated and were thus rather imperative in nature. In the rest of the economic spectrum, they were only indicative. Most of the industries in the basic sectors were nationalised with a view to achieving the planned targets, and this accounted for the emerging hegemony of the public sector in vital segments of the economy.

For each basic sector, a separate Planning Commission also came to function. In subsequent decades, as monitoring became an integral part of planning in the basic sectors, emphasis increasingly gathered on profitability of individual projects.

To reiterate, the activist or participatory role of the State under the French planning firmament continues to be confined mainly to the public sector, spread astride the basic sectors, and the financing of the projects was also, by and large, effected by means of public investments.

In respect of the rest of the economic field, however, the role of the State and the national objectives under economic planning are generally indicative or perhaps of the US bench-mark variety. By adumbrating the policy decisions, the State gives guidance and sponsors growth.

The strategy in the emerging Third World has been broadly speaking, to remove the barriers to growth in the first instance, reorient the economy away from inherent economic rigidities and distortions, and then clear the decks for development. Thus, in the first few five-year plans in the case of such monolithic economies like the Indian, the

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Nigerian or the Indonesian, the first one or two-period plans have been wedded to such first-clear-the-deck responsibilities of organised economic planning. The first or even the second period plans have in most cases, quite logically, been plans of rehabilitation.

The First Five-Year plan for India (1951-1956) was thus, fundamentally, despite the impressive investment-commitments, a plan for rehabilitation. The plan eventually targetted for a total outlay of Rs 2,059 crores, and in terms of growth-targets, no major leap-forward was projected, as it was apparently necessary, in the first instance, to prepare and condition the economy for growth. The most important objectives of the plan included completing the programme in hand, refugee rehabilitation, providing a base for agronomy by improving the land and tenancy systems and community development, strengthening, mainly through strategies of rehabilitation, the transportation-infrastructure and reviving village-level, cottage and small scale industries and removing the underbrush for industrialisation.

Bureaucratic Handling

As the programmes for mobilisation of resources were ambivalent, the scheme for launching and monitoring the utilisation of harnessed resources rather indeterminate, and the planning itself, from conception to materialisation, was almost in entirety entrusted to the service-bureaucracy, with only marginal involvement of specialists, economists and technocrats (themselves of limited and uncertain availability), it would be seen in retrospect, that the projected outlays for the first Indian Five-Year Plan were all the while being unrealistically scaled upwards from the original Rs 1,793 crores of 'the draft plan', to Rs 2,069 crores of 'the final plan', and then to Rs 2,249 crores in 1953 to Rs 2,356 crores in 1954 and again to Rs 2,374 crores the same year.

That the plan was riddled with inherent contradictions and was in many ways more polemical than pragmatic was evident from the actual outlay being much less than the projected, despite the several paradoxical upward revisions. As against Rs 2,374 crores, which was the final projected commitment of the first Indian five year plan, the actual outlay mustered by the Government and the Planning Commission was eventually only Rs 1,950 crores.

The planners, as in case of the Bombay Plan, set their eyes, even in the matter of rehabilitation and laying the basic infrastructure of transport, power, industry and mines on the distant goals, but had to actually keep themselves busy more in the clearing of debris and removal of the underbrush than in attaining the promised pinnacles of growth.

Red Tape

This, plus the proliferation of the red-tape and the Parkinsonian principles in the management of the plan-programme, perhaps was not atypical of a developing economy in its first serious venture on economic planning, and would perhaps explain the rather inscrutable hikes in the targetted investments, all the time in the field simultaneously resorting to continual slide-down in actual outlays.

Even where we are not discussing in terms of a national plan, but only of a sectoral plan, this rehabilitatory requirement of the inceptional economic planning in respect of the Third-World economies has already been manifest. Take, for instance, the First Five-Year Plan for Bangladesh Railway.

With this plan, the Bangladesh Railway expected to achieve newer heights in infrastructure-development in a riverine econo-geography, and even when the prospects of domestic mobilisation of resources was bleak, the Government raised the required finance from the Asian Development Bank to deploy a group of railway consultants and economists from India and Britain to prepare the first five-year plan for the Bangladesh Railway.

The consultants, however, discovered soon enough that the railway in Bangladesh, due to alarmingly accumulating arrears of renewals and replacements, were in fact falling into pieces, and, therefore, the question was to first salvage the system from neglect unto itself, before further growth, (to be financed and perhaps executed under external package-aid programmes), could be considered, if pragmatism and wisdom in economic planning was not to be completely eschewed by the authorities, under the possible influence of foreign-aid pressure-groups.

As a result, the much publicised first five-year plan for Bangladesh Railway, after all the expectations of promised growth, as presented by the consultants, was, in the final analysis, and rightly so, a plan of rehabilitation, committing around 90 per cent of the programmed investment to renewals and replacements.

This is not unique to the Indian sub-continent, comprising India, Pakistan and Bangladesh, which were in the inceptional years of economic planning laden with arrears of development. This has by and large been true of almost all the Third World economies ravaged by colonial economic exploitation, be such countries in South East Asia or the new Africa.

In the case of a number of Latin American countries, however, this phenomenon has been the consequence more of unremitted phases of econo-political instability rather than of politico-economic subjugation.

Ding-Dong Battle

Take for instance, the question of the Brazilian hyperinflation or the rehabilitation programme of the Argentinian Railroads or the restoration of the Chilean economy, when all these were commenced this side of the Second World War, in the disturbed Forties and the organised 'Fifties. Evident were the same compulsions of repairing the economy, bridging the gaps and filling the crevices, committing the economy to the rehabilitatory phases of planned development, but all the time fighting a face-to-face ding-dong battle with inflation, disequilibrium and an heightening imbroglio in the balance of payments.

While this, therefore, is an essential characteristic of organised economic planning in the Third World, the importance of the same requires to the appreciated. One cannot build a masonry structure on quicksands. First a durable edifice has to be laid and reinforced. The same, in fact, has been the case of the entire Third World. All the halcyonic targets would have proved of little avail, and investments would have mostly turned counter-productive, if the economy itself was not in the first instance rehabilitated to stand on its own two feet and restored to the anchorage.

All the clearing of decks and removal of underbrushes of the initial and proximate years, therefore, was an inherent strategy of the period-plans in respect of all such developing economies of the Third World.

Yet another typical instance is the first Nigerian plan of development in the post-independence era. This, as also the current economic restoration plan of Uganda after the economy had been ruined by Idi Amin and his proteges, have both started with an endeavour at the national level to find answers to the same compulsions of redressing the distortions in the economy before taking off for real-time economic growth.

In a similar core sector plan, the Nigerian Railway with a shattered financial and management network, did even better than the earlier national rehabilitation plans. The Nigerian Railway was apparently in shambles, with inter-alia the total fleet of locomotives and rolling stock prone more to idling than turning around. The Railway, therefore, took up a bold rehabilitation plan and almost transplanted a sizeable group of around four hundred managers, technicians and personne from the Indian Railway under a free from-strings participatory nature o package-programme.

Reckoning from the reports coming over from the Nigerian Government and the African press, as also through agencies and reports from Europe, the results achieved in around three years have been heartening and 'the attainments are well ahead of the projections'. This has fired interest and it is learnt through the press that Mozambique has contracted a similar management-cover plan with the Indian Railway.

(To be continued)

Distribution of Mill-made Cotton Textiles

Labdhi Bhandari, Abhinandan K. Jain & M. N. Vora

DISTRIBUTION IS the backbone of the Indian marketing system. India has a large efficient, and widespread distributive trade that provides the critical link between producers and consumers of all sorts of goods. Yet little systematic information and knowledge exists about this vast and important sector. With a view to bridging this gap and helping understand the role, structure, conduct and performance of distribuive trade, a major study of the distribution of mill-made cotton textiles in India was undertaken by a faculty team of the Indian Institute of Management, Ahmedabad. The major part of the study consisted of a survey of 950 traders in 15 textile trading centres (consisting of a 191 wholesalers, 556 semi wholesalers and 203 urban retailers). The field work was conducted in Mid—1979, therefore the figures relate to that year. The highlights of the findings are reported here.

The task of distributing mill-made cotton textiles in India was found to be a gigantic one, made more complex by the great diversity of consumer tastes and preferences in different areas, centralisation of production, and a vast range of goods produced. This task consisted of several distinct activities (functions), namely: (i) matching of diverse requirements of consumers with production pattern of producers by demanding, stocking, making and supplying appropriate variety/range of products; (ii) physical redistribution of cloth from supply points to purchase points; (iii) financing this entire redistribution task; (iv) providing market feedback to enable mills to adjust their manufacturing and product mix plans; and (v) bearing of risk arising from product failures, price and demand fluctuations, and bad debts.

In 1979, about Rs 4,500 crores (3,000 million metres) of mill-made cotton and blended textiles were distributed in India. The task was accomplished through an estimated 3,000 wholesalers, 15,000 semi-wholesalers, over 300,000 retailers, and several thousand facilitating intermediaries (brokers, commission agents, etc.).

Among the various functions that textile wholesalers perform, two very important roles stand out. These are: (i) Financing the distribution task; and (ii) entrepreneural risk-taking with respect to product, price and payment, thereby reducing the risk of mills.

The wholesalers also perform the roles of, (iii) providing market information to mills, (iv) redistributing goods by purchasing, stocking and despatching cloth, and (v) promoting the sale of cloth by visiting markets and canvassing.

Semi-wholesalers performed critical functions of accessing retailers even in remote corners of the country with a wide range of products matching the requirements of retailers. They played a substantial role as stocking points for timely redistribution of goods.

The major functions of retailers were providing a wide variety of goods desired by their customers, and maintaining adequate stocks for timely availability. They held stocks equivalent to three months of sales. However, nearly half of their stocks were financed by net credit received from suppliers.

Various kinds of non-trading intermediaries (agents) were found to be performing one or more of specialised functions of bringing buyer and seller together; guaranteeing payment, helping buyers to locate appropriate goods; and sellers to locate appropriate customers, etc.

It was found that the net profit on sales of wholesalers was less than 2 per cent, of semiwholesalers less than 3 per cent and of retailers less than 5 per cent. The return (net profit + interest) on the total funds employed worked out to be 19 per cent for wholesalers, 17.3 per cent for semi-wholesalers and 28.2 per cent for retailers. Even on owners' funds, the return worked out to be around 21-22 per cent for semi-wholesalers and wholesaers, and 32 per cent for retailers. These levels of profits and returns can hardly be called excessive in the light of cost of capital these days. It should be noted that managerial remuneration to owners/partners was not included as an expense while calculating net profit or return figures.

The overall cost of distribution was 27.5 per cent of mill price (21.6 per cent of consumer price). The major proportion of goods (60 per cent of total volume) went through three tier systems, the overall cost for which was 30 per cent of the mill price (the cost for two tier systems was 23.7 per cent). In this study, only urban retailers were included and hence if adjustment for rural area retailers was made, the total overall cost would be a few percentage points higher. It should be noted that this total cost was arrived at using the actually realised reported gross profit by the traders as well as including the marketing costs of mills and commissions paid to facilitating intermediaries. This should not be confused with prevalent norms of gross margins in the textile trade.

Despite the complexity of task and the abundance of intermediaries the overall cost of distribution was quite reasonable. The cost compared well with cost of distributing textiles in other countries and that of distributing other goods in India. This low cost of distribution was possible owing to the efficiency of the Indian trade characterised by low overhead operations. The trade margins were low and the returns on capital employed modest.

The distribution task is capital intensive In 1979, an estimated Rs 3,600 crores of total capital and Rs 2,600 crores of marketing working capital (stocks and net credit) was used. Of this the major portion was contributed by traders Rs 3,000 crores of total capital and Rs 2,000 crores of marketing working capital.

Traders' capital was mostly their own (68%) or that of their family members and friends (14%). The contribution of institutional sources (banks) was limited to only about 8 per cent. This manner of raising capital by traders, in a capital scarce economy like ours, was very desirable. Considering the increasing needs for capital in future, particularly at semi-wholesale and retail level, the Government might like to consider increasing the share of institutional finance. A possible avenue could be refinancing of wholesalers who extend credit down the line.

Most trading parties used more than one arrangement of buying and/or selling at the same time giving rise to more than 30 systems of distribution (chains of trading and non-trading intermediaries). Twelve of these were found to be major systems prevalent between mills and consumers. Seven of these twelve systems were of the three tier type (involving three types of traders, i.e. wholesalers, semi-wholesalers, and retailers) and five of the two tier type (bypassing wholesalers). The proportion of total business passing through the two tier systems was found to be 40 per cent, and 60 per cent through the three tier systems.

The table below gives details of these 12 major systems. There was wide variation among the systems on cost of distribution, riskiness of product mix (percentage business in blended fabrics and prints/designs of cottons), geographic sales reach, and use of marketing working capital. The cost of distribution varied from 21.6 per cent (in system No. 10) to 33.3 per cent (in system No. 7) of mill price, proportion of risky products varied from 55 per cent (in system Nos. 1,5 and 6) to 74 per cent (in system No. 3), geographic reach index (roughly equivalent to number of zones of the country) from 0.71 (system No. 10) to 2.34 (in system No. 7) and marketing working capital used varied between 196 (system No. 10) to 313 (system No. 7) days of sales.

The two tier systems were found to be more efficient compared to the three tier systems in terms of aggregate cost of distribution and use of capital. The cost of distribution was lower at 19.3 per cent of consumer price or 23.2 per cent of mill price (as compared to 23.2% of consumer price or 30 per cent of mill price in three

Twelve Systems of Distribution

No.	System of Distribution	Number of Links in System	Per Cent Business through the System	Per Cent of Risky Products	Geographic Reach Index	Marketing Working capital (No. of days sales)	Cost as Per Cent of Mill Price
Three Tier Systems			**60.0**	**61.3**	**1.49**	**259.4**	**30.0**
1.	M-WS-SWS-R	3	15.0	55	1.10	284	25.8
2.	M-WS-CA-SWS-Ag-R	5	13.2	65	1.39	234	33.2
3.	M-WS-CA-SWS-R	4	8.6	74	1.18	259	30.7
4.	M-WS-Br-SWS-Ag-R	5	1.7	60	2.10	257	31.3
5.	M-WS-Br-SWS-R	4	1.6	55	1.41	226	27.0
6.	M-Ag-WS-Br-SWS-R	5	9.9	55	1.57	282	29.0
7.	M-Ag-WS-Br-SWS-Ag-R	6	9.9	61	2.34	313	33.3
Two Tier Systems			**40.0**	**64.9**	**0.76**	**208.4**	**23.7**
8.	M-SWS-R	2	13.5	62	0.73	199	23.1
9.	M-SWS-Ag-R	3	5.3	70	0.84	252	29.6
10.	M-SA-SWS-R	3	8.1	67	0.71	196	21.6
11.	M-SA-SWS-Ag-R	4	3.4	65	0.91	220	26.3
12.	M-Ag-SWS-R	3	9.6	65	0.75	204	22.0

tier systems) and the marketing working capital was estimated to be 208.4 days (vs. 259.4 days) of sales turnover. However, the two tier systems were less effective in terms of geographic reach.

A substantial proportion (59%) of semi-wholesalers bought goods bypassing wholesalers). While the profitability and returns on investment of a semi-wholesaler dominantly buying (67% or more) from mills was higher, it entailed larger order sizes, shorter credit, and lower cash discounts. In addition, a significant proportion of semiwholesalers dominantly buying from mills experienced wrong and delayed despatches by mills.

The role played by agents (brokers, commission agents, etc.) for transacting business between mills and wholesalers on the one hand and semi-wholesalers and retailers on the other hand was limited (about 33% business being conducted through agents). However, more than half the business transacted between mills and semi-wholesalers (53%) and about three fourths between wholesalers and semi-wholesalers (75%) was through the help of some kind of agents. A significant and substantial proportion of total business between mills and retailers (about 30%) was done without the help of agents.

Choice of Systems

The choice of systems of distribution was determined by the needs and resources of trading parties, even though shorter systems costed less and used less capital For example, larger mills and larger semi-wholesalers did more business bypassing wholesalers i.e. through two tier systems. This was made possible as the larger mills were able to take over the product risk function (performed by wholesalers in the three tier systems) and the larger semi-wholesalers could provide wider coverage and part of finance (the other two important functions performed by wholesalers). Also, among mills which used three tier systems, larger mills which had somewhat stable product mix and distribution policies conducted more business with wholesalers without the help of agents. Use of agents between wholesalers and semi-wholesalers was found to be more prevalent for either higher risk products or wider coverage of markets.

The textile distribution sector in India is characterised by predominance of a large number of individual business entities and a very small role for institutional entities like consumer cooperatives and manufacturer owned/operated retail stores. There are hardly any large trading houses with chains of outlets engaged in textile distribution in India. Thus, a large number of individual entrepreneurs, most of them small, make this system function and perform this gigantic task.

Alternative Structure

There have been, in some quarters, misgivings about the nature of distributive trade for textiles. Alternative structures like consumers' cooperatives and manufacturers' chain of retail outlets taking a larger share of trade have been talked about. The motivation for this has been reduction in the number of middlemen so that savings in distribution costs can be effected. While the reduction in distribution costs is a very desirable objective, it was found in this study that the present structure was capable of adjusting itself to achieve better efficiency and lower costs. In fact, as compared to total cost of 32.3 per cent of mill price in 1975 (NCAER study), the total costs in 1979 was found to be 27.5 per cent of mill price.

The systems of buying and selling in vogue are very many and constantly changing in response to the conditions. The diversity and the size of textile distribution task calls for coexistence of different systems rather than use of a single uniform system. The textile sector is highly competitive at all levels and the distributive trade is quite flexible and dynamic. Thus, the distributive trade appears capable of adjusting to the changing needs and requirements of times.

On the whole, the textile distributive trade has been characterised by a movement towards greater use of shorter systems of distribution over the last few years. The volume of trade going through the two tier systems had increased from 24 per cent in 1975 (NCAER study) to 40 per cent in 1979. Further, trading parties transacted more business through less costly arrangements, i.e. more use of direct dealing and/or dealing through less costly agents (brokers in place of commission agents). This trend has led to both a reduction in cost of distribution and better utilisation of one of the scarce resources, i.e. capital.

The above trends seem to be the result of, (i) competitive pressures in textile industry at all levels, (ii) some structural changes in mill sector and the mills' attempts to takeover the function of product risk, and (iii) a significant shift in product mix towards high value blended/synthetic goods requiring higher level of finance for the distributive trade.

However wholesalers will continue to play a significant and substantial role in textile distribution. Their financing capacity and the ability to take risks on product, price and payments will stand them in good stead, since these roles will continue to be demanded particularly by smaller mills and the decentralised sector. However, the trend towards a two-tier system (bypassing wholesalers) on the part of progressive mills desirous of increasingly taking over the risk taking function will continue to threaten the traditional role of wholesalers.

Trading Intermediaries

While the role of non-trading intermediaries between mills and wholesalers and between semiwholesalers and retailers may decline in future, there will continue to be a role for intermediaries who guarantee payment to mills and help mills as well as wholesalers to access semiwholesalers.

In conclusion it would appear that some of the functions that are currently being performed by the trade, viz risk-taking on products, market intelligence, promotion etc, and which to a large extent fall beyond the role of distribution, may be increasingly taken over by mills. On the other hand, the functions of effective market coverage, making available a range of goods commensurate with market requirements, and providing security to mills/manufacturers may assume greater importance as far the trade is concerned. Therefore, both wholesalers and semi-wholesalers may need to reorient themselves by responding to likely redundancy of some of their functions and emerging opportunities in the future pattern of textile trade.

Economic Analysis

Trends in Oilseeds Production

B. M. Sharma & Chhotan Singh

OILSEEDS ARE an important ingredient of our food crops as they supply fat for human system. But during the last decade, the production of oilseeds has not increased sufficiently as compared to that of cereals. In fact, the downward trend in the output of oilseeds in the recent past and the growing gap between demand and supply from domestic sources have caused concern among agricultural scientists as well as policymakers. Large quantities of edible oils are being imported. In 1980-81, we had to spend about Rs 800 crores in foreign exchange to meet the 1.3 million tonnes shortfall in the production of edible oils, viz-a-viz requirements.

Sizeable acreage under oilseeds has been displaced by high-yielding varieties of other crops which have greater potential for agricultural production. In spite of the rise in oilseeds prices, the acreage under oilseeds has not increased markedly since 1966-67, the starting period of the so-called green revolution in the country. The new strategy for agricultural development adopted in 1966-67 had resulted in the increase in foodgrains output from 66.8 million tonnes to 125.6 million tonnes and of oilseeds from 5.7 million tonnes to 8.9 million tonnes between 1955-56 and 1977-78.

A significant breakthrough has taken place in foodgrains production but so far as oilseeds production technology is concerned, it has not received the desired impetus. Keeping in view the importance of oilseeds production, an attempt has been made in this article to measure empirically the shifts in area, production and yields of important oilseeds crops, namely, groundnut, rapeseed and mustard, in the major oilseeds-growing States before and after the green revolution. The major objectives of the study are: (i) to examine the nature and magnitude of changes that took place in the composition of area under oilseeds before and after the green revolution; and (ii) To analyse the trends in the production and productivity of oilseeds during these two periods. Rapeseed, mustard and groundnut are three major crops accounting for 83 per cent of the total production and 81 per cent of the total area under oilseeds in the country.

As regards rapeseed and mustard, Uttar Pradesh, Rajasthan, Punjab and Madhya Pradesh were selected which covered about 82 per cent area under these oilseeds in the country in 1977-78. In case of groundnut, the major producing States, namely, Gujarat, Tamilnadu, Andhra Pradesh and Karnataka, were selected which covered about 81 per cent area under this crop during 1977-78. Thus, for analysis only these two crops were selected. The production, productivity and acrage trend of these crops indicate the general pattern of total oilseeds production, productivity and acreage in the country. Time series data from 1955-56 to 1977-78 on area, production and yield of groundnut, rapeseed and mustard crops in the States mentioned above were collected from secondary sources. The total period was divided into two phases, namely, (i) pre-green revolution period from 1955-56 to 1965-66, and (ii) post-green revolution period from 1966-67 to 1977-78.

To examine the green revolution and its effects on the growth rate of oilseeds production, area and productivity, the regression analysis technique was adopted. For comparison of growth trends during pre and post-green revolution periods, simple linear growth rate were estimated with regression analysis approach. Area, production and productivity were treated as dependent variables separately and time as independent variable. The regression equation is given below.

$$Y = a + bt$$

where Y is the area, or production or productivity and 't' is the time in different periods. Applying the least squares method of estimation, the estimate of 'b' is determined as :

$$\hat{b} = \frac{\Sigma(y-\bar{y})\,(t-\bar{t})}{\Sigma(t-\bar{t})^2}$$

Then the growth rate is worked out as

$$\gamma = \frac{1}{Yo} \cdot \frac{dy}{dt}$$

where Y is the area, or production or productivity in the base year in the respective period. The relationship between linear growth rates of production area and productivity exists as :

$$P = A . Y.$$

taking log

$$\log P = \log A + \log Y$$

$$\frac{1}{P} \cdot \frac{dp}{dt} = \frac{1}{A} \cdot \frac{dA}{dt} + \frac{1}{Y} \cdot \frac{dY}{dt}$$

$$\dot{P} = \dot{A} + \dot{Y}$$

where $\dot{P}$ is the growth rate of production, $\dot{A}$ is the growth rate of area and $\dot{Y}$ is the growth rate of yield per unit of land.

The area under oilseeds constituted about nine per cent of total cropped area in the country. The area under oilseeds had risen by 3.5 million hectares between 1955-56 to 1977-78 (Table I) and the pace of this rise was relatively faster during the first decade. Practically no increase in area under oilseeds took place during the period 1966-67 to 1977-78.

Table I reveals that the production of oilseeds had increased from 4.7 million tonnes in 1985-56 to 8.9 million tonnes in 1977-78 and the average yield had also risen from 4.74 quintals to 5.76 quintals per hectare during this period. It may also be inferred from Table I that the increase in production of oilseeds was due to increase in productivity during the post-green revolution period. It can bee seen from Table I that oilseeds production fluctuates widely from year to year due to seasonal variations as barely eight per cent of the area under oilseed crops is irrigated.

To perceive the performance in the production and to see what impact could green revolution make on the production of oilseeds, the growth rates in oilseeds production were compared between pre-and post-green revolution periods. The simple growth rates of area, production and productivity were estimated for groundnut, rapeseed and mustard crops separately for the pre- and post-green revolution periods and are given in Tables II and III.

Simple annual growth rates of area, production and productivity of groundnut crop in various States of India during pre- and post-green revolution periods are presented in Table II.

It may be seen from Table II that the annual growth rates of production were higher in Gujarat and Tamil Nadu during the pre-green revolution period as compared to post-green revolution period. In Andhra Pradesh, Maharashtra and Karnataka the growth rates of production were negative before green revolution but after green revolution they were positive in Andhra Pradesh and

TABLE I

Area, Production and Average Yield of Total Oilseeds* from 1955-56 to 1977-78

Year	Production (000 tonnes)	Areg (000 hectares)	Average yield kg./ha.
Pre-Green Revolution Phase			
1955-56	5734	12085	474
1956-57	6364	12498	509
1957-58	6350	12656	502
1958-59	7298	13008	561
1959-60	6556	13954	470
1960-61	6982	13770	507
1961-62	7284	14772	493
1962-63	7388	15335	482
1963-64	7133	14823	481
1964-65	8563	15255	561
1965-66	6996	15248	419
Post-Green Revolution Phase			
1966-67	6425	14995	428
1967-68	8303	15667	530
1968-69	6845	14472	473
1969-70	7734	14811	522
1970-71	9259	15418	601
1971-72	8746	16033	546
1972-73	6858	14749	465
1973-74	8854	15451	573
1974-75	8529	15638	545
1975-76	9910	15225	651
1976-77	7834	14834	528
1977-78	8933	15505	576

* This includes groundnut, rapeseed, mustard, castorseed, ses-amum and linseed crops.

TABLE II

Simple Growth Rates of Groundnut in Various States

States	Before Green Revolution			After Green Revolution		
	Production	Area	Productivity	Production	Area	Productivity
Andhra Pradesh	—4.27	—1.62	—2.79	0.65	—0.66	1.32
Gujarat	13.86	11.85	2.14	5.35	—0.83	6.30
Tamil Nadu	1.69	2.91	—0.90	1.30	0.44	0.82
Maharashtra	—0.41	0.17	—0.73	—0.56	—2.02	1.71
Karnataka	—1.82	—0.63	—1.37	1.43	1.66	—0.21

Karnataka, whereas the rate remained negative in Maharashtra. Among all the groundnut-growing States, the highest annual growth rates of production during both periods were observed in Gujarat. In Gujarat high growth rate (13.86 per cent) in production was due to high growth rate (11.85 per cent) in area before green revolution. But after the green revolution, the high growth rate (5.35 per cent) in production was due to high growth rate (6.30 per cent) in productivity, whereas the growth rate of area was negative.

Similarly in the case of Tamil Nadu, the high growth rate of production was due to high value of growth rate of area during pre-green revolution but after the green revolution the high growth rate of production was as a result of comparatively higher growth rate of productivity. In the case of Maharashtra, the trend of productivity was negative in both the periods. However, in the first phase, the growth rate of area was positive but, in the second phase, it was the growth rate of productivity that was positive. In Andhra Pradesh, during pre-green revolution, the annual growth rate of production was negative which occurred due to negative growth rates in area and productivity. During the post-green revolution, the growth rate of production was positive but it was very low, However, the growth rate of productivity was positive and slightly higher than the other States. In Karnataka, the growth rate of production was negative before the green revolution, whereas it was positive after the green revolution. The growth rate of productivity was negative in both the periods, but it improved during the latter period.

The results show that the growth rates of production and acreage under the crop declined after the green revolution, but the growth rate of productivity increased during the green revolution period. It may be informed that the groundnut-growing States have suffered the most in terms of displacement of acreage under the crop. The result will lend further support to the contention that the regions of relatively higher levels of production technology are likely to experience greater diversion of land and other resources from oilseeds crops to those crops that undergo technological changes. The crops that have experienced such changes are wheat, rice and maize. The larger acreage shifts in favour of these crops at the cost of acreage under oilseeds and other crops.

TABLE III

Simple Growth Rates of Rapeseed and Mustard in Various States

States	Before Green Revolution			After Green Revolution		
	Production	Area	Productivity	Production	Area	Productivity
Madhya Pradesh	—0.27	2.22	—1.83	15.01	7.26	5.25
Rajasthan	—2.79	—2.13	—0.65	10.63	6.51	4.10
Uttar Pradesh	8.26	3.80	3.15	1.49	—0.03	1.60
Punjab & Haryana	1.16	—0.33	1.62	2.80	0.20	2.19

It may be seen from Table III that the annual growth rates of production were higher in the green revolution period, except in the State of Uttar Pradesh, than in the pre-green revolution period. However, the growth rates of production were negative in the case of Madhya Pradesh and Rajasthan during the pre-green revolution period.

During the first phase, growth rates of production were low due to low growth rates of area and productivity in all the States. In the second phase, the highest growth rate of production (15.01 per cent) in the case of Madhya Pradesh was due to sufficiently high growth rates of area (7.26 per cent) and productivity (5.25 per cent). Similar was the case with Rajasthan where the growth rate of production (10.63 per cent) increased due to high growth rates of area (6.51 per cent) and productivity (4.1 per cent) during the green revolution period. Uttar Pradesh and Punjab, which have advanced in crop production technology, observed low growth rates of production as compared to other States. In UP and Punjab, the growth rates of area and productivity were also low in comparison with other States. The lower growth rates of area and productivity in UP and Punjab were responsible for low growth rates of oilseeds production. These results also support the fact that the States which have adopted the higher crop production technology have diverted acreage and farm resources from oilseeds crops to other crops, namely wheat and rice. In the States where no alternative crops can be grown under rainfed condition, the oilseed crops were suitable to be grown. Thus, the acreage under oilseed crops increased in Madhya Pradesh and Rajasthan.

On the basis of the growth rates of

groundnut, rapeseed and mustard production during the post-green revolution period, projections have been made for both the oilseed crops for the Sixth Five-Year Plan and presented in Tables IV and V. The future (anticipated) projections of oilseeds production will be valid only if the existing crop production technology, available resources and price ratio remain constant during the Sixth Plan period. The total production of groundnut is expected to be 5.377 million tonnes at the end of the Sixth Five Year Plan (Table IV). The contribution of Gujarat will be the highest (1.944 million tonnes) in the total groundnut production followed by Tamil Nadu (1.137 million tonnes) and Andhra Pradesh (1.226 million tonnes). The contribution of Maharashtra will be the lowest (0.513 million tonnes).

The total production of rapeseed and mustard is anticipated to be 1.856 million tonnes at the end of the Sixth Five-Year Plan (Table V). The highest rapeseed and mustard production (1.248 million tonnes) will be contributd by Uttar Pradesh. The contribution of other States in total production will be relatively low.

The main problem concerning oilseeds production, however, is that these crops continue to remain mainly rainfed crops. Wherever irrigation facilities are provided, farmers switch over to growing cereals. Considering the growing needs of the country and the quantity of imports of the oilseeds, it is necessary that immediate measures be taken to increase the productivity of oilseeds with such economic programmes as support prices. Incentives for oilseeds production need to be enlarged.

TABLE IV

Estimated Production of Groundnut in the Sixth Five Year Plan

(000 tonnes)

Year	Andhra Pradesh	Gujarat	Tamil Nadu	Maharashtra	Karnataka	Total
1980-81	1100.51	1732.20	1089.04	526.48	626.33	5074.56
1981-82	1107.03	1785.17	1101.04	523.18	633.81	5150.23
1982-83	1113.55	1838.14	1113.03	519.88	641.29	5225.89
1983-84	1120.07	1891.11	1125.03	516.58	648.77	5301.56
1984-85	1126.59	1944.08	1137.02	513.28	656.25	5377.22

TABLE V

Estimated Production of Rapeseed and Mustard in the Sixth Five Year Plan

(000 tonnes)

Year	Madhya Pradesh	Rajasthan	Uttar Pradesh	Punjab & Haryana	Total
1980-81	131.84	208.56	1189.01	191.02	1720.43
1981-82	138.23	217.47	1203.64	194.87	1754.21
1982-83	144.61	226.38	1218.27	198.71	1787.97
1983-84	151.00	235.29	1232.90	202.56	1821.75
1984-85	157.40	244.19	1247.53	206.41	1855.53

Syndicate Bank crosses another milestone

Syndicate Bank crossed the Rs.2000 crores mark in deposit mobilisation in 1981, joining seven other big nationalised banks.

The total deposits of the bank rose to Rs.2,178 crores. The total number of deposit accounts is 94 lakhs, one of the highest in India. Over 78% of these are from small depositors having less than Rs.1500 per account.

The credit deployed increased to Rs.1,467 crores. The total advances made to the priority sector was 39% as against the target of 40% fixed to be reached in 1985.

Ninety new branches were opened during the year of which 67 are located in unbanked rural centres. The branch network covers 1208 branches, including one temporary branch and London branch.

In the field of international banking, Syndicate Bank has made notable progress. The London branch was instrumental in arranging Euro-Currency loans for a number of Indian companies for the expansion of their industrial projects.

We are deeply involved in all nation-building activities — improving the socio-economic conditions of the weaker sections, implementing the Integrated Rural Development Programme and the 20 Point Economic Programme.

HIGHLIGHTS (Amount in crores of rupees)	1981	1980
CAPITAL & RESERVES *	15.05	12.50
TOTAL DEPOSITS	2178.35	1692.35
TOTAL ADVANCES	1467.13	1070.05
Of which Advances to Priority Sectors	456.92	356.65
Total Working Funds	2451.60	1896.28
Balance of Profit (before bonus)	3.55	3.05

*As on date, Rs.18.05 Crores (inclusive of Rs.3 crores contributed by the Central Government in the year 1982 towards Capital)

	1981	1980
Number of Deposits and Borrowing Accounts (In Lakhs)	107.96	98.13
Number of Personnel	26750	25496
Number of Branches (of which)	1208	1118
Rural	567	499
Semi-Urban	264	256
Urban	166	154
Metropolitan & Port Town	210	208
Overseas	1	1
Regional Rural Banks sponsored	6	6
No. of Branches of Regional Rural Banks	476	384

CONDENSED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

CAPITAL AND LIABILITIES	As at 31st December 1981 (Rs.in crores)	1980
Capital (Wholly owned by the Central Government)	7.50	5.00
Reserve Fund and Other Reserves	7.55	7.50
Deposits and other Accounts	2178.35	1692.35
Borrowings from Banking Companies, Agents etc.	106.79	104.52
Bills Payable	25.30	20.30
Bills for collection being bills receivable as per contra	115 66	86.51
Other liabilities	125 86	66 36
Acceptances, Endorsements and other obligations as per contra	125 96	74.66
Balance of profit after transferring Rs.1.55 crores to Reserve Fund (Previous Year 1.25 crores) and Rs.1.75 crores transferred to Contingencies for payment of Bonus to Staff (Previous Year see note below)	0.25	0.25
Total	2693.22	2057 45

PROPERTY AND ASSETS	As at 31st December 1981 (Rs.in crores)	1980
Cash in hand, with RBI, SBI etc.	239 34	201 23
Balances with other Banks	35.04	11 45
Money at call & Short notice	4.39	9 79
Investments in Govt and other Trustee, Securities, Debentures, Shares etc.	574 51	499 73
Advances (including bills discounted and purchased)	1467 13	1070.05
Bills receivable being bills for collection as per contra	115.66	86.51
Constituents liabilities for acceptances etc as per contra	125 96	74.66
Premises etc less depreciation	6 52	4.06
Furniture fixtures, vehicles etc. less depreciation	8 97	7.45
Other Assets	115 63	92.45
Non-Banking Assets less depreciation	0.07	0.07
Total	2693.22	2057 45

EXPENDITURE	For the year ended 31st December 1981	1980
Interest paid on deposits and borrowings	131 71	98.45
Salaries and Allowances, Provident Fund Contribution	46.23	40.67
Other operating expenses	20.45	16.45
Balance of Profit	3.55	1.50*
Total	201 94	157.07

INCOME	For the year ended 31st December 1981	1980
Interest and discount	185.89	142 05
Commission, Exchange and Brokerage	14.00	13 37
Other operating income etc.	2.05	1 65
Total	201 94	157.07

* In the previous year provision for bonus to staff amounting to Rs.1 55 crores has been charged to Revenue

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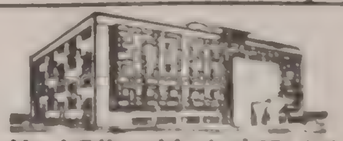
The small man's bank doing big things today



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Procurement Gains Momentum

THE PROCUREMENT of rabi grains has picked up fast during the last week. By May 28, four million tonnes of wheat had been procured. The purchases till then during that week were around a million tonnes. As a sequel to this, the gap between this year's and last year's procurement has narrowed down considerably. It was just of the order of a little over one million tonnes.

The delayed increase in arrivals in the market because of unprecedented, unseasonal rains in April and early May this year probably is an indication of the damage being not as severe as estimated by the trade. Over the week-end, the daily arrivals were around three lakh tonnes, as against just about one lakh tonnes last year. Normally peak procurement of wheat is over by the end of May or the first week of June. But this year peak procurement has started only towards the close of May. If this rate of arrivals continues for 10 to 15 days, it indeed will have a very salutary impact on procurement which may easily exceed seven million tonnes. The procurement, of course, will have to be discounted somewhat because of the higher moisture content. But even then this level of procurement will be highly encouraging,

Lacklustre Wheat

The Food Corporation of India (FCI) has been asked to buy up all lacklustre wheat on payments for grade I and II. The relaxation granted earlier to the Karnal bunt affected wheat upto three per cent has been relaxed up to five per cent. The trade does not appear to be interested in buying the lacklustre and the higher moisture content wheat for its post-purchase handling is a serious problem for it. This wheat purchased by the State agencies is envisaged to be released hrough the public distribution system or to the bulk consumers expeditiously so that its quality does not deteriorate further due to fungus formation in storage. The FCI feels confident that it will be able to handle the job successfully. Lacklustre wheat is not damaged wheat in the strict sense as the quality of the grain remains by and large intact. Another point to be appreciated in this context is that in Northern India most of the new crop wheat is not consumed without washing it overnight.

The total arrivals of wheat in the market by July 28 had been around 4.19 million tonnes. Of these 4.09 million tonnes had been purchased by the FCI and other State agencies. This compares with 5.29 million tonnes arrivals till then last year, of which 5.07 million tonnes had been procured. The purchases by official agencies in Punjab had been of the order of 2.6 million tonnes, as against 3.2 million tonnes last year, and in Haryana 8.24 lakh tonnes as against 9.78 lakh tonnes.

Aggregate Procurement

The procurement in Uttar Pradesh was also progressing well. The Punjab Government is reported to be of the view that this year's procurement will at least approximate the last year's level of 3.76 million tonnes. The aggregate procurement of wheat last year was 6.587 million tonnes, to which, besides Punjab, the contribution of the other States was as follows: Uttar Pradesh 1.496 million tonnes, Haryana 1.121 million tonnes, Madhya Pradesh 1.649 lakh tonnes, Bihar 12,800 tonnes, Jammu and Kashmir 20,100 tonnes.

Significantly enough, Government purchases of coarse grains this year have already reached two lakh tonnes. Last year only 98,000 tonnes had been purchased. The early summer rice procurement in Andhra Pradesh too has progressed well, purchases upto May 25 being approximately 2.48 lakh tonnes.

The foodgrains stock with the Government by July 1, thus, may approximate 14 million tonnes. This is considered sufficient to contain foodgrains prices, for procurement out of the next kharif crop will start in October.

Some imports of wheat, of course, cannot be ruled out this year in the interest of building up the buffer stock. The FCI Chairman is understood to be in Australia currently, presumably for this purpose.

Nuclear Power: The Achilles' Tendon

HEAVY WATER supply continues to be the Achilles' tendon of our nuclear power programme. The commissioning of the first unit of Kalpakkam project (235 MWe capacity) has been inordinately delayed because of this, even though it was stated last year that the requisite heavy water supplies (240 tonnes) for its start-up had been arranged. The project is yet to be brought on stream. No target date has been set for the purpose though it is claimed that it would be commissioned this year. In physical terms, work on even the second unit of similar capacity here is stated to have been completed with a view to commissioning it in 1984. But if the experience of the first unit is any guide, the commissioning of the second unit will have to be postponed inordinately.

Three units have already been set up for the manufacture of heavy water, the oldest of them being the 14 tonnes capacity Nangal Plant which was brought on stream in the early sixties. The second unit at Tuticorin (67 tonnes capacity) has been in operation for some time, but is yet to overcome its teething troubles, notwithstanding significant improvement in its recovery efficiency due to the modifications effected in the plant. The third unit, the Baroda project of similar capacity continues to encounter various difficulties. It had to be shut down recently because of labour trouble. But the main problem it has been encountering is the leakage from high pressure ball valves which go through a cycle of high temperature and very low temperature. Suitable packing material is claimed to have been identified and is in the process of being evaluated in actual use. Disturbances in plant operation conditions in the ammonia plant, which are of negligible consequence to the ammonia plant, introduce impurities in the synthetic gas supplied to the heavy water plant which are not acceptable and which cause serious disturbance to the process conditions. Coordinated action is being taken in this regard at the fertiliser plant which supplies ammonia. A pilot plant for study of transfer of deuterium from water to ammonia is being installed near the heavy water project. If this development is successful, it is hoped that it will be possible to free the plants based on ammonia-hydrogen exchange process from dependence on fertiliser plants.

New Technologies

Two other projects, one at Talcher and the other at Kota, (90 tonnes capacity each) are anticipated to be commissioned this year. But both involve new technologies. The one at Talcher is attached to the coal-based fertiliser project there and the Kota unit uses the new hydrogen sulphide water exchange process. The problems involved are not insignificant. No indication is yet available as to when they will be completely solved. The commissioning of the two projects, slated this month may have to be postponed. It has already been delayed considerably.

Two more plants, with an effective capacity of 295 tonnes per annum, have been planned at Thal-Vaishet and Hazira, attached to the fertiliser projects being set up there. But not much work is said to have been done for setting this up as yet.

A noteworthy development in the field, however, has been the commissioning of the first indigenous heavy water upgrading plant based on electrolysis at the Kalpakkam atomic power project. This plant was designed and engineered by BARC. Another heavy water upgrading plant based on another process, i.e, on vacuum distillation, is being fabricated for the Rajasthan atomic power station by BARC. This plant is scheduled for commissioning in mid-1982. Engineering work is also on for setting up seven upgrading plants at various reactor and heavy water project sites.

The work on the stabilisation of the production of heavy water at the existing units as also for the expansion of the heavy water manufacturing capacity needs to be streamlined without delay.

Power After Poll

THE POWER situation in Calcutta and the south Bengal districts has sharply deteriorated after the formation of the second Left Front Government. No one, of course, had expected the Government to bring about an immediate improvement in the availability of power. In fairness to the Front, it should be said that in the election campaign it had not made any such promise. The 34-point programme of the manifesto had merely stated that the Front would concentrate on the following programme: "Time bound implementation of the on-going projects for generation and distribution of power; raising generation capacity in the State to the 3500 MW level by 1986-87 by completing the Kolaghat, Rammam and Titagarh projects; preparation of schemes for new projects and obtaining the approval of Central authorities for the same; and administrative reorganisation in the power sector". It will be seen that the Front had given no assurance that it would attempt to reduce the rigours of load shedding. Nor did the electorate ask for any such undertaking from the Front's candidates. The opposition parties also did not raise the power crisis into a major issue, although they made some casual reference to it in their election campaign.

It is hardly surprising, therefore, that the power situation has worsened to such an extent as to make the State Government issue frantic appeals to Andhra Pradesh and Orissa to come to its rescue. On some days the shortfall reached as high as 215 MW. On an average, Calcutta was subjected to nearly 12 hours of load-shedding every day in the last week of May. In many areas residents had to go without power for 12 hours or even more. The Calcutta, Electric Supply Corporation (CESC) in a statement said that it "deeply regrets that there have been some incidents in the recent past when CESC employees were threatened with physical violence in areas affected by load shedding". The CESC warned that "any threat or intimidation to its employees who are only carrying out instructions from centralised control would only impair their morale and lead to further problems".

R. J. Venkateswaran writes from Calcutta

The *Statesman*, in a report in its issue of May 27, said that "unscheduled and prolonged power cuts for the past few days have intrigued industrial circles in Calcutta". But why were they "intrigued"? Were they really expecting a major improvement after the poll was over? The factors responsible for the present crisis are the same which have been persisting for a long time, such as tube leaks, over-sized coal, its inferior quality, irregular supply and so on. The unsatisfactory performance by the DVC has also aggravated the power shortage in the Calcutta area. The DVC has been unable to supply adequate power to the mines of the Eastern Coalfields. In the first 12 days of May, the latter suffered 415 power trippings and suspension of power supply for 42 hours, and the loss of production was of the order of 107,000 tonnes. Besides, the machinery of the Eastern Coalfields got damaged due to the erratic power supply. It is reported that about Rs 5 lakhs are being spent every month on its repair. New Delhi continues to make tall claims about the improvement in infrastructure. But these appear to be greatly exaggerated in the context of the severe power shortage.

The Left Front Government, however, should examine how far it can, by its own efforts, bring about some substantial improvement in the supply of power and in what manner it can introduce a rational scheme of load shedding which would help to avoid unnecessary hardhip, especially to the domestic conumers. The Left Front has said with ome pride that in a period of four years fter assuming office, it had spent Rs 500 rores for power generation compared o Rs 213.44 crores spent by its predeessor Congress regime in its tenure of ive years. But how is it that, in spite of this large expenditure, the generation of power continues to be so poor ? What has happened to the five gas turbines with a capacity of 20 MW each, installed by the Left Front Government ? It was expected that these turbines would provide some relief but the shortage of power continues to be as acute as ever.

Soon after he was sworn-in as the Chief Minister on May 26, Mr Jyoti Basu old the gathering outside the Secretariat hat his Government would try to do ts best "within its limitations". He reminded them that the Congress(I) still ruled in New Delhi. But this surely cannot be an excuse for allowing a chaotic situation to continue in regard to the supply of power. Mr Basu and his colleagues should show far greater seriousness in tackling this problem and spare the citizens of the agony of proonged load shedding especially in these days of searing summer.

Jail for Erring Exporters ?

The Union Ministry of Commerce is reported to have decided to take drastic action against exporters who supply sub-standard goods to foreign buyers. The Export Quality Control and Inspection Act is to be amended to provide for imprisonment up to three years, in addition to heavy fines, to those who violate its provisions. The amending bill, now being finalised in consultation with the Law Ministry, is expected to be introduced in the next session of Parliament. The Government seems to feel that the time has come to take a more serious view of the activities of businessmen who harm India's reputation in world markets. In 1980-81, the Commerce Ministry received 325 complaints about the poor quality of goods supplied by Indian exporters compared to 329 in the previous year.

But has the Commerce Ministry made a careful study of the nature of the complaints it has received and the causes for the same ? To what extent has the supply of sub-standard goods been resorted to with the deliberate intention to dupe the foreign buyer and how far has it been due to factors beyond the control of the manufacturers and exporters ? Have such complaints been made only against the private sector or also against the public sector whose units have been contributing increasiugly to export promotion ? Besides, to what categories of goods do such complaints mainly relate ?

Small Industry Exports

Small-scale industries have been assuming greater importance in our export trade. According to official figures, the production at 1979-80 prices from both the registered and the unregistered units in the small-scale sector increased from Rs 21,635 crores in 1979-80 to Rs 2369 crores in 1980-81. In this period their exports went up from Rs 1050 crores to Rs 1305 crores. This performance looks impressive. But are the small units being given the necessary advice and assistance to maintain proper quality of their export products ?

It will also be useful to analyse the complaints broadly with reference to the countries from which they have come. Do they emanate mostly from the developed or the developing countries or from both ? It is significant that Sir John Thompson, the British High Commissioner in India, in his address to the Indian Merchants Chamber, Bombay, on May 18, pointed out that one of the reasons for the setback that our goods had suffered in the British market was the failure of Indian suppliers to comply strictly with the quality specifications.

It is stated that under the proposed amendment, severe action will be taken also against the officers who are responsible for enforcing the Export Quality Control and Inspection Act. At present, about 800 products have been brought within the purview of this Act and it is possible that, in some cases, the authorities concerned have not been able to undertake the inspection with sufficient care due to various reasons. It is therefore necessary to examine the problem from all angles and to incorporate realistic provisons in the amendment so that they will have the desired effect. Incidentally, it will be interesting to find out if the Commerce Ministry has been receiving complaints from Indian businessmen against foreign manufacturers about the supply of sub-standard goods. It will be useful to study how other countries enforce quality controls and how many have provided for imprisonment for their infringement.

Meanwhile, the Export Promotion Councils, Commodity boards and similar organisations should exercise stricter vigilance especially over exporters who deal with the developing countries. The Engineering Export Promotion Council recently expressed concern at the fact that "mushroom exporters from India who are not very quality conscious have started visiting Zimbabwe". According to the Council, this is a quality conscious market and some dealers have made it clear that once they burn their fingers due to sub-standard quality or late delivery, they would refuse to buy not only from the particular supplier but also from any one else in the country concerned.

Bureaucracy Again on Ascendancy

If there was some relief and satisfaction over the attention paid to steel expansion after nearly a decade of neglect of this vital sector, the turn of events since the beginning of the current year seems to reverse the trend. As happened in 1977-78, the easier availability seems to have bred some complacency. There is accumulation of stocks in the stockyards and for most categories the demand is sluggish. But past experience should show this as a temporary phenomenon. Total production of saleable steel in the country at 6.5 million tonnes is too modest to afford any sense of complacency.

Look at the casual manner in which the question of additions to capacity is approached. After prolonged negotiations, Davy Mckee of UK was selected for the award of a turn-key contract to set up a 1.5 million tonnes second integrated steel plant in Orissa. This deal was called off dimming hopes of the additions of capacity over a tight time schedule. There have been inordinate delays in executing plans of expansion of capacity at Bhilai and Bokaro from the present 2.5 million tonnes to four million tonnes. At the time such expansions were cleared it was explained that it will be far more economical and quicker to complete expansion of existing plants, than create capacity at greenfield sites. These seem to take over six years the time frame that should be sufficient to construct a steel plant on an entirely greenfield site. In fact after the experience of the long time taken to construct the first stage of Bokaro and with the very modest expansion of capacity through the seventies, there is some reconcilation over the inevitability of gradualness.

Significant Change

Kudremukh and Salem provided the much needed change. The one problem of projects tied to Indian sources of supply of equipment was not experienced by these two projects. The enormous freedom allowed to them to procure equipment from the global markets combined with alert project teams contributed to the completion of these projects to a tight time schedule. Thus when Visakhapatnam and Paradip projects were cleared, there were expectations of constructing these to a tight time schedule which is bound to bring with it the tremendous advantage of containing costs within reasonable limits.

While calling off the deal with Davy has upset the schedule of additional capacity by 1987, the chances of completing Visakhapatnam to a tight time schedule do not appear bright either. Visakhapatnam started off well and made good progress through 1981 in the matter of assembly of a good project team and in the matter of finalising important contracts. The allocation of Rs 250 crores for Visakhapatnam in the budget for the current year will also help in construction work progressing well. But then several external factors seem to have their effect on construction progressing smoothly. Chief among these is the political pressures that were brough about by the local leadership that resulted in the shifting of the then Managing Director, Mr V. Subramanian, from Visakhapatnam.

Good Performance

Mr Subramanian has the reputation of completing Salem Steel to a tight time schedule and well within the cost estimates. The opposition was largely on grounds of a non-Andhra Chief Executive for a plant located in Andhra Pradesh. On similar grounds the local political and trade union leaders successfully stalled the attempts of Hindustan Steelworks Construction Limited to deploy some 450 employees from Bokaro for construction work at Visakhapatnam Steel. HSCL already wilting under the strain of a large workforce which has become redundant at Bokaro and Bhilai where the peak phases of construction were over, has been forced to keep these 450 workmen idle at Visakhapatnam and to recruit hands afresh through the local employment exchange. Keeping this workforce at Visakhapatnam should be costing HSCL around Rs 4 lakhs every month on account of wages and other benefits. Mr Subromanian has been succeeded by Mr Pantulu who also brings with him a good reputation of his part in constructing Kudremukh Iron Ore Project to a tight time schedule. But then the powers of the Chief Executive have been severely curtailed. Under the new dispensation the tenure of the Managing Director has been initially fixed for 2 years of which in the first year he will be on probation. With the type of extraneous pressures that could be brought on the Chief Executive, one may not be surprised if this cripples the Chief Executive's style of functioning. After all in the Indian system of no high rewards for good performance and no serious punishment for inefficiency, one may not be surprised if chief executives of projects decide to play safe by putting up notes. Another serious limitation that has been brought about is that any expenditure involving more than Rs 5 crores should get the clearance of the Board. If Visakhapatnam is to be constructed in about 4 years and assuming the project cost around Rs 4000 crores, the average daily expenditure to be incurred on this project will be nearly Rs 3 crores. And yet the Chief Executive presiding over this large enterprise will have to get the clearance for expenditure exceeding Rs 5 crores.

Unlike Kudremukh which did not start off with a detailed project report, Visakhapatnam has been twice blessed. There was an initial DPR prepared by Dasturco; later the Russians produced a revised DPR which specifies the types of equipment and the characteristics of construction in great detail. Will it not be prudent to give freedom to the Chief Executive to procure equipment or award contracts conforming to these details in the DPR? After all, this was the way other large projects have so far been built.

Non-Professional Board

And what sort of a Board has to scrutinise such proposals? For the first time in several years, the Secretary, Department of Steel also dons the role of the Chairman of the Rashtriya Ispat Nigam (Visakhapatnam Steel). And look at the galaxy of other directors: the Chairman Visakhapatnam Port Trust, the Chief Operating Superintendent of the Zonal Railway, the Chief Secretary, Government of Andhra Pradesh and the Director General of Technical Development. Can you accuse any one of these as having even remotely had any experience in the construction of a steel plant or in dealing with the Russians?

For the greater part of the seventies the Steel Ministry was under the sway of technocrats, Wadud Khan and Mantosh Sondhi. The pendulam seems to have swung back and bureaucracy seems to be in full control again. Is it because of the thousands of crores of rupees that are slated to be spent on the steel industry in the current decade that the politicians think it vital to position bureaucrats all through the hierarchy?

Window on the World

Trade and Aid Enhance Security—Clausen

ADDRESSING RECENTLY the 37th Annual World Trade Conference, in Cleveland, Ohio, the World Bank President, A.W. Clausen, called for liberal trading policies and resistance to trade protectionism. He hoped that at the Versailles summit "the signal will go out once more that a world of genuinely liberal trading policies is in the interests of all."

Mr Clausen said that there has been recognition at high Government levels in the industrial countries that excessive protectionism is inescapably counterproductive. There is a prospect that before the end of the decade, it will become clear that "an era of immense business opportunities has opened in the developing world".

The degree to which the potential opportunities are realised, Mr Clausen said, will depend in part on the policies of industrial nations. If the access of the developing countries' exports to the markets of the industrial nations is restricted, they cannot earn the foreign exchange necessary to pay for the imports from industrial countries.

Investment Opportunities

Besides the opening up of trading opportunities, the developing countries need more external investment, Mr Clausen observed. He pointed out that there are genuine investment opportunities in the developing world for the corporations in the industrial nations.

Warning that nations may become less receptive to foreign investment, Mr Clausen asked for the development of an internationally acceptable set of investment principles which must be fair and sensitive to the sovereign rights of nations. He pointed out that direct investment in developing countries has fallen as a proportion of the net financing flows to the developing world, and that the bulk of the investment went only to a few countries.

If the global environment for commerce is to be strengthened, said Mr Clausen, more must be done than merely resist the pressures for protectionism and investment isolationism. Short-term considerations that call for budget cuts "at every corner" must be overcome. Cuts in development assistance, said Mr Clausen, go against the commercial and security interests of the donor nations.

Huge Stakes

The United States, Mr Clausen said, has a huge stake in this matter. Thirty-eight per cent of all US exports go to the developing world. Thirty per cent are accounted for by non-OPEC developing countries, excluding China. The US economy, thus depends increasingly on the capacity of the developing countries both to buy its exports and to supply it with critical imports.

It is, therefore, in the interest of the United States to assist the developing countries to achieve their high priority development objectives and become more vigorous trading partners, Mr Clausen said. "Social and economic progress in the developing countries cannot, of course, in itself end all dissent and disagreement. But it will help promote, in the longer terms greater economic stability and social cohesion. And those are essential building blocks of increased global security".

The US and other nations are providing military assistance to an increasing number of nations today, said Mr Clausen. He suggested that had there been greater economic assistance earlier to these nations, some of them now in turmoil, the need for military assistance now would have been less.

The prospects of winning friends are far greater when nations are at peace and have internal political stability than when they are in the midst of civil wars and urgently pleading for massive foreign arms supplies, he added.

"But in the world as it is, you cannot give the peoples of the developing nations hope and confidence, and at the same time deny them the means to achieve more adequate economic progress for themselves. And one important approach to that is through multilateral economic development assistance," Mr Clausen said.

Referring to the problem of funding for the International Development Association (IDA), the World Bank's affiliate that lends on concessional terms to the poorest nations, Mr Clausen said that two-thirds through the current programme, the United States had con-

Oil from Trash

Two scientists in Manchester, Britain, have invented a method of making crude oil from domestic garbage.

The pilot plant converts plastic, paper, cardboard, vegetable matter and textiles into three barrels of oil a day. It is calculated that 10 tonnes of garbage can be converted into 26 barrels of oil. The oil is equitable to good quality crude.

One of the Manchester University team of scientists, Noel McApylffe says: "We are doing in 10 minutes what it has taken nature 150 million years to do". The process uses heat, pressure, a metallic catalyst and a processing liquid.

tributed only about a third of its total original commitment.

He pointed out that IDA is not a give-away programme but a tough-minded investment institution financing projects with a high rate of economic return. It makes a genuine contribution to a more vigorous, more prosperous, and more mutually beneficial world economy.

Productivity Trends in Nepalese Farming

S.C. Rai & S.M. Gubhaju

NEPAL IS predominantly an agricultural country. About 93 per cent of the population depend on agriculture and its allied activities. The major part of the country is of high mountains and rolling hills and only 17 per cent is occupied by flat lands of Terai. This part of the country is rich in agricultural activities. Most of the cultivated area is occupied by food crops like rice, maize and wheat. These three crops occupy about 93 per cent of the total cropped area of the country. Efforts are being made to increase the productivity of these crops. Here an attempt has been made to estimate the trends of yield rates of rice, maize and wheat crops during the period 1967-68 to 1974-75. The data have been taken from 'Agricultural Statistics of Nepal' and 'Statistical Informations published by the Agricultural Statistics Section of Food and Agricultural Marketing Services Department of Nepal.

The technique of regression analysis between the production and area has been adopted for each crop for a period of eight years to 1974-75 for each zone of the State. The significance of regression coefficients has been tested by usual analysis of variance test.

The coefficients of correlation have been worked out between the production and area for each crop.

An attempt has also been made to study the change in the productivity of these three crops separately for each zone. For this purpose, the zonal yield rates have been obtained by pooling the district averages with the corresponding area figures. The test of significance of the yield rates has been performed by partitioning the total variation into the following three components:

(a) Variation between years;

(b) Variation between zones; and

(c) Variation between years and zones.

Components (a) and (b) have been tested against components (c).

Rice is the most important food crop in Nepal. It occupies about 60 per cent of the total cropped area in the country The regression and correlation coefficients between the production and area of rice crop have been given in Table I. The regression line has been tested by the analysis of variance and the variance ratio is given in the last column of the table for different zones.

It may be seen from Table I that correlation and regression coefficients are significant for all the zones except Sagarmatha, Baghmati and Gandaki. This indicates that production is very much affected by the variation in the area of the crop and it is linearly related with area in the zones where regression coefficient is significant. In the Zones of Sagarmatha, Baghmati and Gandaki, the relation between production and area is not observed to be linear.

In order to assess the performance of various zones on the yield rates of rice crop, a study has been conducted by following the technique of analysis of variance. Table II gives the degrees of freedom (d.f.), mean square (MS) and variance ratio (F) for different components of variation in the yield rates of rice crop.

Table II indicates that there are wide

TABLE I

Regression and Correlation Coefficients Between Production and Area of Rice Crop

Zone	Regression Coefficient	Correlation Coefficient	Varlance Ratio
1. Mechi	2.85	0.83	12.95**
2. Koshi	3.23	0.88	19.81**
3. Sagarmatha	7.86	0.63	4.00
4. Janakpur	5.88	0.98	297.24**
5. Bagmati	—0.42	—0.18	0.20
6. Narayani	5.73	0.98	194.74**
7. Gandaki	7.78	0.61	5.03
8. Dhaulagiri	—	—	—
9. Lumbini	3.48	0.94	37.71**
10. Bheri	3.01	0.98	112.51
11. Karnali	—	—	—
12. Rapti	2.78	0.78	9.13*
13. Seti	3.51	0.93	37.83**
14. Mahakali	2.55	0.96	64.71

* Significant at 5% level ** Significant at 1% level

TABLE II

Analysis of Variance for Testing the Significance of Yield—Rice Crop

Source of Variation	d.f.	M.S.	F
Between years	7	0.112	4.32*
Between zones	13	0.992	38.11**
Interaction	91	0.026	

* Significant at 5% level. ** Significant at 1% level

variation in the yield rates of rice crop between year to year and zone to zone. It is observed from the yield rates of various zones that the productivity of Bagmati zone is considerably high compared to other zones. This zone has achieved the highest yield rate of 3.51 M.T./h.a. during the year 1973-74 which is the highest among all the zones. The next fertile and productive zone for rice crop is Karnali followed by Gandaki and Dhaulagiri. The zones of Sagarmatha and Janakpur exhibited very poor productivity of this crop. Considering the performance of the crop at the country level during different years, it is observed that the yield rate was highest during 1974-75 closely followed by the yield rates of 1973-74. Factors like irrigation, manuring and other improved agricultural practices are responsible for enhancing the productivity during recent years. The year 1972-73 was bad for this crop in almost all the zones of Nepal.

TABLE III

Regression and Correlation Coefficients Between Production and Area of Maize Crop

Zone	Regression Coefficient	Correlation Coefficient	Variance Ratio
1. Mechi	2.35	0.95	47.53**
2. Koshi	1.12	0.82	12.65**
3. Sagarmatha	1.03	0.61	7.30
4. Janakpur	1.56	0.75	7.56*
5. Baghmati	1.15	0.53	2.56
6. Narayani	2.26	0.61	4.57
7. Gandaki	1.61	0.68	5.20
8. Dhaulagiri	0.72	0.43	1.31
9. Lumbini	1.13	0.52	2.22
10. Bheri	2.34	0.91	28.72**
11. Karnali	1.13	0.79	9.77**
12. Rapti	2.45	0.92	32.93**
13. Seti	0.71	0.17	0.11
14. Mahakali	1.00	0.82	12.52**

*Significant at 5 per cent level **Significant at 1 per cent level.

TABLE IV

Analysis of Variance for Testing the Significance of Yield Rates—Maize Crop

Source of Variation	d.f.	M.S.	F
Between years	7	0.214	53.47**
Between zones	13	0.159	39.82**
Interaction	91	0.004	

**Significant at 1 per cent level.

Maize Crop

Maize is the second important food crop in Nepal. It occupies about 22.5 per cent of the total cropped area in the country. The coefficient of regression and correlation along with the values of variance ratio are given in Table III for this crop for different zones.

It may be seen from Table III that regression and correlation coefficients are significant at one per cent level in Mechi, Koshi, Bheri, Karnali, Rapti, and Mahakali zones and at 5 per cent level for the zones of Sagarmatha and Janakpur. For the remaining zones these coefficients are not significantly different from zero thus indicating that the production of this crop is not very much affected by the variation in area in these zones. For the zones where coefficient was significant, it may be concluded that production is linearly related to the area.

For examining the performance of various zones for the productivity of this crop, the analysis of variance has been performed. Table IV gives various details of analysis of variance on the yield rates of maize.

Table IV reveals that there is significant difference in the productivity of maize crop between different zones. The variation between years is also observed to be significant. On examining the data on yield rates of various zones, it is found that Gandaki zone performs best closely followed by zone Rapti. The yield rates of these two zones are quite high and are suitable for this crop. The yield rate of Seti zone is extremely poor followed by Bheri zone. On examining the yearly performance of various zones, it is observed that year 1971-72 was a bad year for this crop in almost all the zones. The weather was favourable for this crop during 1972-73 when the yield rate was highest at the country level as compared to other years.

Wheat is the third important food crop in Nepal. It occupies about 12 per cent of the total cropped area in the country. Regression and correlation coefficients between the production and area of wheat crop are presented in Table V. It is observed from Table V that correlation and regression coefficients between production and area are highly significant for zones Sagarmatha, Janakpur and Narayani and they are only significant at 5 per cent level for zones Mechi, Koshi and Ganadaki. This indicates that production is linearly dependent on area in these zones. In other zones, correlation and regression coefficients are not significant and production of wheat does not have linear relationship with its area in these zones.

The technique of analysis of variance

has been adopted for examining the trend in the yield rates of wheat. The total variation is divided into different components as given in Table VI. This table reveals that variation in yield rates between years is significant at 5 per cent level whereas the variation between zones is significant at one per cent level of significance. This indicates that there is a differential response towards the productivity of wheat crop in different zones. On close examination of yield rates of various zones, it is observed that Baghmati zone is quite fertile for wheat crop and it has the highest fertility for this crop in the country. The second and third positions are occupied by Gandaki and Karnali respectively. The zone Sagarmatha has got the lowest yield rate for wheat. The year 1969-70 was quite favourable and the best year for this crop and 1970-71 and 1971-72 were very bad years. Other years were normal for this crop.

TABLE V

Regression and Correlation Coefficient's Between Production and Area of Wheat Crop

Zone	Regression Coefficient	Correlation Coefficient	Variance Ratio
1. Mechi	0.88	0.67	8.19*
2. Koshi	0.99	0.73	6.81*
3. Sagarmatha	1.21	0.96	134.96**
4. Janakpur	1.64	0.96	72.04**
5. Baghmati	0.53	0.53	2.36
6. Narayani	2.46	0.95	57.37**
7. Gandaki	0.69	0.78	9.08
8. Dhaulagiri	—	—	—
9. Lumbini	1.69	0.63	3.99
10. Bheri	0.35	0.43	1.35
11. Karnali	1.57	0.71	5.99
12. Rapti	0.27	0.22	0.30
13. Seti	0.06	0.07	0.02
14. Mahakali	—0.43	—0.20	0.31

*Significant at 5 per cent level, **Significant at 1 per cent level.

TABLE VI

Analysis of Variance for Testing the Significance of Yield Rates—Wheat Crop

Source of variation	d.f.	M.S.	F
Between years	7	0.1586	6.21*
Between zones	13	0.8954	35.04**
Interaction	91	0.0255	

*Significant at 5 per cent level. **Significant at 1 per cent level.

Broad Conclusions

The following are the broad conclusions that can be drawn from the study:

(i) There is a significant correlation between production and area of rice, maize and wheat crops in the zones of Mechi, Koshi and Janakpur. The correlation of rice crop is significant in almost all the zones. This indicates that production depends much on area of the crop and an early forecast of production may be made which will be useful to both administrators and traders.

(ii) The regression coefficient between production and area of the three crops is also significant in the above four zones but a higher increase in production of rice is observed with per unit increase in area as compared to corresponding increase for maize and wheat crops.

(iii) Rice is the most important food crop in the country and performance of Baghmati zone for the productivity of this crop is excellent. Gandaki zone stands first in the productivity of maize crop and Baghmati zone again gets the top position in the productivity of wheat crop. Sagarmatha zone is observed to be the poorest zone in the productivity of rice and wheat crops where as Seti zone is the poorest zone for maize crop.

(iv) Most of the area in Nepal is single cropped area and wheat is the only important rabi food crop. Area under wheat is very meagre with very low productivity. The main reason for this is the lack of sufficient irrigation facilities.

(v) There is scope of increasing the productivity of rice crop in Nepal because it receives sufficient quantity of rainfall. Appropriate high-yielding varieties of rice may be developed which are suitable to the climatic and soil conditions of the country. Through various demonstration trials and other extension media farmers may also be educated to adopt improved cultivation practices.

(vi) Wheat has attained international importance and large number of very high-yielding varieties have been developed for this crop all over the world. With proper irrigation and manuring facilities some of these high yielding varieties may prove successful in Nepal. Attention may also be given in the direction of propagating the cultivation of wheat in the country.

Scope for Agricultural Taxation in J&K

Mohmmad Sultan Bhat

In view of the severe resource constraints and increasing dependence on Central grants-in-aid, there is urgent need in the Jammu and Kashmir State for mobilisation of resouces. The author. who is a Senior Research Fellow, Postgraduate Department of Economics, University of Kashmir, makes a survey of the potential for taxation in the State's agricultural sector and concludes that not only is there enough potential for such taxation but with the commercialisation of the farm sector there is scope for expansion of the tax base.

AGRICULTURAL sector has to play a crucial role in the process of resource mobilisation. However, mobilisation of resources from this sector is a challenging task because "the problem is not merely to raise additional resources but to raise them in a manner reasonably consistent with the commitment to reducing inequalities and minimising the burdens placed on the poorest sections of the people" (Bird, 1972). The case for mobilisation of additional resources through direct taxation of agriculture rests mainly on the fact that there is no progression in these taxes.

Many attempts have been made to study the problems and prospects of agricultural taxation in the country.[1] They have revealed that agricultural sector provides ample scope for resource mobilisation. However, agricultural taxation in the State of Jammu and Kashmir has remained a neglected field. Areas of potential surplus in the agricultural sector are yet to be explored.

Against this backdrop, an attempt has been made in this article to work out the residual taxable potential of the State's agricultural sector on the basis of the residual taxable potential of the sampled respondents.

The existence of residual taxable capacity or taxable potential is considered a reliable basis for working out the scope for additional agricultural taxation as it "depends not on certain crude indicators of increased ability to pay but on the existence of residual taxable capacity in the agricultural sector" (Dwivedi, 1973).

Computation of residual taxable capacity requires an estimation of taxable capacity and existing tax burden. The concept of taxable capacity is one of the most controversial concepts in public finance. Its definitions, uses and methods of measurement are elusive and cannot be adopted without broad generalisations. Dalton, Musgrave, Srivastava and Thimaya even doubt the validity of the concept. Dalton argues strongly that it should be banished from all serious discussions of public finance (Dalton, 1955). Musgrave opines that the concept should be replaced by the concept of optimum budget which relates entire budgetary policy with the level of income (Musgrave, 1959).

Workable Definition

Dwivedi has suggested a "workable definition" of taxable capacity by integrating the views of taxation Enquiry Commission (1953-54) and of others. "We may define taxable capacity for our purposes as excess of total net produce, comprising net income from cultivating land and income from tangible wealth, over the subsistence requirements of the farmer" (Dwivedi, 1973).

According to Shetty, taxable capacity is a relative concept and absolute taxable capacity can only be measured by "surplus principle"—excess of income over minimum subsistence needs of population (Shetty, 1971). He opines that absolute taxable capacity is a static concept and one has to make allowance for :

(a) A permitted rate of increase in the subsistence requirements; and

(b) Minimal investment rate necessary for maintaining prevailing production mechanism and facilitating increase in minimum consumption.

Three pioneering studies for estimating relative taxable capacity of farm and non-farm sectors are those of Gandhi (1966), Mathew (1968) and Shetty (1971). It is not plausible to adopt either of the three methodologies as their scope is limited to relative taxable capacity. Though some writers argue that it is wrong to use taxable capacity in absolute sense and at the best it can be used in the relative sense (Thimaya, 1969).

The Potential

Against this background, taxable capacity has been replaced by "taxable potential[2] (defined as the excess of total net produce over the subsistence requirements). Total net produce and subsistence requirements are two components of taxable potential. Total net produce consists of net income from agriculture and allied agricultural activities plus income from tangible wealth.

Data on total net produce, taxes paid, level and structure of dwelling houses, consumer durables, non-farm and financial assets have been collected through the multi-stage stratified-cum-random sampling design. The survey was conducted to get information regarding:

1. Cost of production
2. Gross output
3. Income from allied agricultural activities.
4. Direct agricultural taxes paid during the year.
5. Income from tangible farm and non-farm assets.

This information was collected by means of an open-end questionnaire. Information regarding tehsil/village was collected from village, tehsil and district revenue and agricultural extension officials, district statistical and census handbooks and other available sources.

The first step in the selection of the sample was to select one region and two tehsils within the region in the State. Relevant tehsil-wise details showing broad similarities were compiled and compared. The variables selected broadly represented the natural and man-made resource base and their utilisation pattern in each tehsil including density of population, extent of literacy, net sown area, cropping pattern, rainfall, cropping intensity, contribution of different irrigation sources, fertility of soil, etc. On the basis of these broad indicators, two tehsils (Sopore in District Baramulla and Pulwama in Pulwama District) were selected by the method of purposive sampling. Every care was taken to see that the tehsils thus selected represented typical land use pattern, cropping pattern, nature and mode of irrigation, rainfall etc. of the whole region. From each tehsil six villages were selected by means of purposive sampling.

Predominant Characteristics

For the selection of villages within the selected tehsils the predominant characteristics of the latter were kept in mind. After the selection of the villages ownership holdings in each village were listed in alphabetical order and then stratified into the following six size groups:

Below 2.5 acres	A
2.5—5.00	B
5.00—7.5	C
7.5—10.0	D
10.0—12.5	E
12.5—and above	F

From each size group of ownership holdings, 32 per cent of the total ownership holdings (in each group) was selected at random for intensive study. The survey was conducted simultaneously in two tehsils in the middle of March, 1979 (beginning of the farming year in Kashmir Valley) and ended in the second week of April, 1980 (end of the rabi season 1979-80.). Depreciation of each type of assets has been calculated by the straight line method.

Consumers' expenditure provided by the Twenty-eighth Round of NSS (October, 1973—June 1974) for rural Kashmir has been a dopted as a proxy for current consumption of the respondents with suitable modification. Expenditure recorded on account of taxes paid by consumers in Twentyeighth Round of NSS has been deleted from total per capita expenditure. This expenditure has been suitably inflated to make it up-to-date.[3] Though consumers' expenditure cannot be treated as a perfect substitute for current consumption yet in the absence of any reliable alternative this seemed to be the only way out. Moreover 25 per cent of Residual Taxable Potential (RTP) is allowed as development rebate without any upper limit in order to maintain the prevailing production mechanism and facilitating increase in minimum consumption. Raj Panel suggested a development rebate of 20 per cent of the ratable value subject to a maximum of Rs 1000.

It is assumed that:

a. Per acre total net returns in the whole State is the same as that of the sampled acre[4].

b. All the farmers pay the same amount of direct taxes on agriculture. Although the rate of direct taxes on agricultural sector varies from assessment circle to circle but methods of assessment are same throughout the State. Moreover, these methods of assessment are completely outdated and nothing definite could be established even if this assumption is relaxed. There is a lot of confusion in the revenue records and actual rates, as calculated in the sample, are much less compared to the official rates. Tax impact, as worked out by the author in a related study, is almost negligible.

c. Size of the family of ownership holdings in the State is the same as that of size of family of the sampled ownership holdings (This assumption is made due to the negligible difference between the two.)

Given the above assumptions every attempt has been made to give maximum allowance to the farmer at every computation stage so that the estimates do not get inflated. This is a modest estimation of Residual Taxable Potential (RTP).

Tables I and II depict classwise distribution of RTP of the sampled ownership holdings and total ownership holdings in the State. The RTP per acre in each case is positively related to scale. Total RTP (all the holdings of the State) worked out to be Rs 655716549.90. This speaks of the tremendous scope of resources mobilisation from the agricultural sector particularly in view of severe resource constraints and growing dependence on the grants-in-aid from the Central Government. Even if the State realise five per cent of this amount as

TABLE I

Residual Taxable Potential of the Sampled Ownership Holdings

Size class of ownership holding	Total Net returns per-holding (in Rs.)	Taxes paid plus current consumption (per holding) (In Rs)	Average size of the holding (in acres)	Residual taxable potential per-holding (In Rs)	Residual taxable potential per-acre
Below 2.5 acres	3392.05	6451.47	1.50	—	—
2.5—5 acres	10,202.08	9124.33	3.52	1077.75	306.18
5—7.5 acres	22,081.06	9251.39	6.12	12,829.67	2096.35
7.5—10 acres	27,806.01	6936.58	8.71	20,869.42	2396.03
10—12.5 acres	59,405.13	12,773.62	12.12	46,631.51	3847.48
12.5 acres and above	23,684.21	5636.25	25.36	18,048.49	711.69
All sizes	10,189.18	7826.98	3.25	2362.20	726.83

taxes, it comes out to be Rs 327827.50. Although in a related study it was established that the present system of land taxes needs to be replaced in the larger interests of rapid economic development of agricultural sector yet one can visualize a situation where five per cent of RTP of agricultural sector of the State can be mopped by exempting 74.80 per cent of ownership holdings and introducing progression as under:

Size class of ownership holdings (In acres)	Percentage of Residual Taxable Potential to be realised as taxes
2.5— 5.0	3.06
5.0— 7.5	3.51
7.5—10.0	3.58
10—12.5	4.60
12.5 and above	5.00

It can be safely concluded that not only does there exist areas of potential surplus but these are likely to expand with the increasing commercialisation of the agricultural sector of the State. Hence in view of the severe resources constraints, increasing dependence on grants-in-aid from the Central Government and initiation of massive development programmes all possible efforts should be made to mobilise the resources from the agricultural sector. The present system of direct taxes on agriculture in the State (based on land settlement of 1887) is highly defective and it needs to be replaced. The system has lost its fiscal significance. Land revenue is assessed at a flat rate and hence lacks progression.

Land records are not up-to-date. Lot of confusion prevails in these records. Agrarian structure has undergone drastic changes since 1887 but the State still follows the pattern of agricultural taxation adopted in that year. Efforts have not been made to use agricultural taxes either for mobilising resources or as a measure to encourage commercialisation of the agricultural sector.

TABLE II

Class-wise Residual Taxable Potential of the Total Ownership Holdings in J &K

Size class of ownership Holding	No. of ownership holdings	Average size of the ownership holdings (In acres)	Residual taxable potential per-holding (In Rs.)	Total Residual taxable potential* (In Rs)
Below 2.5 acres	41,0149 (74.80)	1.0054	—	—
2.5—5 acres	81161 (14.80)	3.6000	1102.24	67094175.48
5—7.5 acres	30371 (5.54)	6.0251	12,630.72	287705697.84
7.5—10 acres	13712 (2.50)	8.56	20,510.18	210926691.12
10—12.5 acres	6696 (1.22)	10.99	42,319.59	212528980.98
12.5 acres and above	6271 (1.14)	19.86	14,134.16	66476488.02
All sizes	548,360	2.1936	1594.37	655716549.90

Note : Figures in the parenthesis give percentages.

*Total residual taxable potential after giving 25 per cent as development rebate.

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1. Angrish (1972), Bagchi (1978), Bhargava (1976), Dantwala (1972), Dwivedi (1973), Gayan Chand (1929), Gupta and Gurbachan (1950-55), Ghandi (1966, 1970), Gulati and Kothari (1968), Govil 1977), Jain (1974) Joshi et. al (1968), Kushro (1963, 1967) Kusum (1969), Lakadawala (1975), Little (1964), Mathew (1968), Mishra (1970), Ohja (1969), Purobit (1976), Raj (1973), Raj Krishna (1972), Raza (1973), Reddy (1972), Rao, C.H. (1965, 1972), Sinha (1970) TEC (1953-54) and Zaidi (1975).

2. Moreover, farmers do not maintain uptodate and reliable farm accounts. Settlements are not also conducted at regular intervals and element of risk and uncertainty is very high in agriculture. Under these circumstances adopton of taxable potential as a basis for measuring residual taxable potential of the agricultural sector seemed to be the only workable alternative. Some recent studies on agricultural taxation also lend support to this approach (Raj Committee 1972), Dantwala, 1972; Lakadawala, 1975, Bhargava and Srivastava, 1976 and Bagchi, 1978).

3. Ten per cent per annum increase in prices of each item has been adopted to inflate the expenditure. Five per cent increase per annum is adopted by the State Planning Deptt. However, in order to give maximum allowance to the farmers 10 per cent price increase has been adopted.

4. This assumption is not that unreal because of the following reasons :

a. Total net returns have been worked out not only from agricultural proper but also from allied agricultural activities also.

b. RTP of 74.80% of the total ownorship holdings in the State has not been estimated as the RTP of the sampled ownership holdings below 2.5 acres size worked out to be negative.

c. Available sources and studies suggest that the bigger farmers have, more or less, equally benefited from the agricultural developmental programmes and shifts in the cropping pattern.

Point of View

Indian Rubber Losing Elasticity!

Dr. Zia Uddin Khairoowalah

Had India planned rubber production a little more seriously it could have been possible to generate enough rubber indigenously to take care of the entire domestic demand. The basic reason for shortage is low productivity. The author stresses that apart from raising the productivity by improving plantation techniques, there is scope for increasing the land under rubber plantation in non-traditional rubber producing areas.

PRODUCTION OF natural rubber in India has shown a more or less uninterrupted rise during the last decade. It increased from around 90,000 tonnes in 1970 to 1.36 lakh tonnes by 1975. Production hitherto recorded the highest mark of 1.52 lakh tonnes in 1977. In the next year, however, output declined sharply by 12.3 per cent to 1.33 lakh tonnes. The fall was due mainly to prolonged monsoon in Kerala, the chief rubber-growing State in the country. Although during 1979, it showed a good recovery, total production at 1.43 lakh tonnes was far behind the production level achieved during 1977.

The rise in rubber production in the country has been brought about both by bringing additional area under this plantation crop and by improving productivity. Thus the total area under rubber increased from a little over two lakh hectares in 1970-71 to around 2.36 lakh hectares by 1978-79. Simultaneously, there was an appreciable increase in the productivity of Indian rubber plantations. Though there were fluctuations, during the ten-year period beginning 1970-71, the per hectare average yield of Indian rubber plantations has recorded an overall rise of 137 kg. from 653 kg. in 1970-71 to an estimated 790 kg. in 1979-80.

Although in the main, rubber production has maintained the uptrend, the yearly rate of growth has showed fluctuations and the trend in the annual increase indicates a gradual decline. Thus, the annual average rise, which worked out to 8.3 per cent during the second half of the sixties, dropped to 6.3 per cent during the first half of the seventies. The corresponding rise for the second half of the seventies works out to a still lower level of 2.5 per cent. It is true that during this five-year span, 1978 was an exceptionally unfavourable year for rubber output in the country. However, even after exempting this year from the calculation, the average annual rise for the remaining four years works out to only 6.2 per cent, which is less than the annual rise recorded in the previous quinquennium.

During 1970-79, except in 1975, consumption of natural rubber has shown a continuous increase. The overall rise in the consumption during the period was by 92 per cent from 0.86 lakh tonnes to 1.66 lakh tonnes. During this decade, production outstripped consumption in six years, while it fell short in three years. In one year, i.e. 1973, production by and large matched consumption.

Spurt in Demand

Although the country had imported natural rubber in the early Seventies, between 1974 and 1977 there were no imports. In fact, except in 1975, India had exported rubber every year during 1973-78. However, the sudden spurt in demand in 1978 accompanied by a setback in the domestic output, necessitated resumption of imports from that year, the quantity of imports being 14,750 tonnes. In 1979, imports reached the all-time high level of 32,200 tonnes.

According to the Rubber Board estimates, consumption of natural rubber in the country is likely to surpass indigenous production in the current year also. With consumption estimated at 1.94 lakh tonnes against an estimated output of 1.62 lakh tonnes, the likely gap this year (1982-83) is placed at 32,000 tonnes. Imports by the State Trading Corporation to the extent of 30,000 tonnes have already been allowed. Against this background the prospects have to be viewed for rubber production in the country in the coming years.

India is one of the lowest rubber consuming countries in the world on per capita basis. There is therefore condiserable scope for expansion of rubber offtake. Against around 14 kg per capita rubber consumption in the US, 8 kg in the UK and 3 kg. in Brazil, India's per capita consumption is less than 0.50 kg. at present. The increasing industrialisation and economic development in the country is bound to be reflected in higher demand for rubber products in the country in the coming years.

Revival in Production

The growth of the automotive tyre and tube industry—the main rubber consuming industry in the country—seems to have absorbed the shock of the oil price hike. This is evident from the revival noticed in this sector (except passenger cars) since last year. Demand for passenger car tyres may not show significant growth in the next few years as this sector is very slow in reviving, but this gap is likely to be filled by higher demand from two and three-wheelers, tractors and commercial vehicles. Other rubber consuming industries slated to generate more demand in the near future are conveyor belting and other industrial belts. The high cost of leather and leather goods is also bound to increase the use of rubber footwear in the country in the years to come.

In the developed countries and to a great extent in other developing countries, synthetic rubber dominates natural rubber in total consumption. The share of synthetic rubber in the total consumption in the industrial economies is as high as 65-70 per cent. However, in India its share in the overall rubber consumption was hardly 19 per cent in 1979 and synthetic rubber is mainly supplementing the availability of natural rubber in the country. The lower share of synthetic rubber in India not withstanding, the country's production of this item has been inadequate to meet the domestic demand throughout the seventies and has necessitated continuous imports.

One of the reasons for the predominance of natural rubber in our consumption is the tropical climate, which necessitates maximal use of the highly heat-resistant natural rubber. Apparently, even a substantial expansion in the domestic output of synthetic rubber, which was 32,329 tonnes in 1979, cannot reduce significantly the demand for natural rubber. Moreover, with the skyrocketing of petroleum prices, the use of synthetic rubber is becoming more and more uneconomical all over the world. This would mean that the rising demand for rubber in the coming years will have to be met more or less completely by corresponding increase in the domestic output of natural rubber.

Soaring Prices

True, imports can be resorted to whenever necessary. But, with demand outstripping production, the supply-demand situation of natural rubber is not all that comfortable in the international markets. The rise in the world rubber prices to dizzy heights (from Rs 816 per quintal in 1978 to Rs 1040 in 1979 in Malaysia) has been a sequel to the imbalance between production and consumption. According to the forecast made by the Malaysian Government, world production of natural rubber will be around 4.92 million tonnes as against a demand of around six million tonnes by 1985 and six million tonnes as against 7.68 million tonnes in 1990. The imbalance between demand and supply may be further aggravated by the increasing prices of synthetic rubber. Naturally, those who want to import natural rubber may find it difficult to procure enough supplies within the required time even at a high price.

The Rubber Board has estimated that during the period 1980-81 to 1984-85, total natural rubber consumption in India will grow by 25 per cent from 1.65 lakh tonnes to 2.07 lakh tonnes while its production is expected to increase by 21 per cent to 1.90 lakh tonnes. The NCAER anticipates a consumption of three lakh tonnes by 1988. According to the estimates made by the industry, by 2000 AD consumption of natural rubber in India would be of the order of seven lakh tonnes.

Although an annual growth of 4.20 per cent in production, as estimated by the Rubber Board, in the coming years cannot be considered unrealistic, the recent performance casts doubts on even this low growth rate. Even if, however, this level of growth is achieved during the next five years, the country will have to depand on imports for bridging the demand/supply gap. According to the rubber industry, demand for rubber can generally be expected to outpace indigenous supply throughout the current decade.

If India had planned rubber production a little more seriously, it could have been possible to generate enough rubber indigenously to take care of the entire domestic demand. One of the basic reasons why Indian rubber output is not more than it is today is the low productivity of Indian rubber plantations. Although the average yield in India has improved considerable over the years, it is still far below the level of 1,000 kg. a hectare achieved by small rubber farmers in Malaysia.

The low productivity of Indian rubber plantations is attributed to the existence of a large number of small rubber cultivators. These small growers are not only ignorant of modern plantation techniques but are also reluctant to lose their present income by replanting for better future production. At the end of 1978-79, 71.12 per cent of the total area under rubber in the country was held by these small cultivators.

An early solution to the present rubber shortage may well be found in educating and assisting these small-holders to practise modern methods of cultivation. Effective measures may also be required to persuade them to replant their worn-out trees.

On a long-term basis, expansion of the area under rubber is a 'must'. Serious and earnest efforts should be initiated to spread rubber cultivation in the non-traditional regions. This is because there is hardly any land available for expanding rubber in the traditional rubber-growing States. The spread of rubber cultivation to the non-traditional areas would also minimise the risk of a sudden drop in the output due to adverse climatic conditions in a particular region or State. In this context, the Rubber Board's proposal, which is awaiting Government approval, aimed at new planting of rubber in 13,500 hectares in non-traditional areas like the Konkan and North-Eastern States, should be welcomed and needs speedy implementation.

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Quality of Life Index

Development and Welfare Indicators : Mrs Atreyi Majumdar; Birla Institute of Scientific Research, Economic Research Division: Allied Publishers Private Ltd : Pp 112; Price Rs 40.

Spatial Diversification of Industries—A Study in Uttar Pradesh : T.S. Papola; Allied Publishers Pvt Ltd: Pp 136; Price Rs 40.

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Surplus Flows and Growth Imbalances : Sudipto Mundle; Allied Publishers Private Ltd; Pp 210; Price Rs 85.

Food Planning—Some Vital Aspects : L. Ramachandran; Allied Publishers Pvt Ltd; Pp 392; Price Rs 60.

Reviewed by **Academicus**

INDIA IS one of the poorest countries in terms of per capita income but very rich in the realms of abstract thought, metaphysics and fine arts. It has a tradition and richness of variety matched by very few countries of the world. In terms of industrialisation, scientific and technological progress, the country occupies fairly high place among nations of the world. India has developed impressive infrastructure, power, transport and commuications, banking system and scientific research institutions and happens to be a member of the most exclusive nuclear and space clubs. In agriculture, she has effected a breakthrough. The country has experienced a green revolution and is more or less self-sufficient in foodgrains, not an insignificant achievement considering the vast and rapidly increasing size of her population.

But though hardly anyone dies at present of starvation in India, nearly 50 per cent of the people live below the poverty line. And yet expectancy of life at birth is continually increasing. India thus presents "a complex matrix of conflicting and contradictory evidence."

The problem is : how exactly do we measure development or lack of it, affluence of the people or deprivation from which they suffer ? Is per capita GNP a satisfactory index of development, progress and human welfare ? If not, is it possible to construct "a quality of life index" comprehensive enough to measure changes in human welfare and quality of life ? In *Development and Welfare Indicators* Mrs Majumdar has addressed herself to this task.

It is now commonly accepted that GNP is not a satisfactory measure of human welfare or for that matter even of production of wealth. It is an aggregated figure based on the assumption of common and unchanging preference scale, and therefore fails to take into account the inter-personal and inter-temporal variations in consumers' tastes and preferences and their consequent impact on the welfare of an individual and of society. Also, GNP as an index relegates the distributional aspect, having important bearing on community's welfare and on pace and pattern of economic development, into the background.

BOOKS BRIEFLY

It is also well-known that the divergence between money value of a commodity and its social value further reduce, the utility of national income accounting system.

Then there is the problem of "determining the prices of public goods such as defence, and transportation network characterised by non-rival consumption and devoid of exclusion principle."

There is often in a country like India large subsistence sector where producers mostly consume what they produe instead of selling the produce in the market. There is the household sector where family members put in a lot of work without being formally paid for it. Market mechanism is incapable of measuring the care with which presents bring up their children. Clearly market mechanism is far less descriptive of what is being produced and consumed in a society.

International comparisons of GNP based on traditional method of converting products expressed in terms of a commonly accepted currency like US dollar can yield meaningful results only under extremely restrictive conditions of free trade, freely floating exchange rates, international economic stability, absence of transport costs, etc., etc. These conditions are never met. Artificial exchange rate fluctuations and different composition of goods consumed in different countries make any worthwhile international comparison with the help of GNP all the more difficult.

Also, according to the author, in a country like India there are numerous problems created by non-availability or unsatisfactory nature of statistical data collected by insufficiently trained staff, sampling and non-sampling errors of data collection and so on.

Maximum Error

On account of these defects, Gunnar Myrdal is not prepared to believe that maximum error in the calculation of national income of India is only around 10 per cent. Prof. Rudra goes to the extent of pleading for "the discontinuance of national income estimates...." It is obvious that the rate of growth in GNP can barely measure or reflect the pace and pattern of structural and functional changes that are taking place in the economy which has produced that GNP.

According to Mrs Majumdar, therefore, "there arises a strong case for supplementing the national income calculus with the physical indicators of the levels of living." According to her, while national income accounting is useful, "much more can be understood about the national economy's growth process by adopting a multi-dimentsional or a pluralistic view of development." She thinks that, basic indicators which would throw light on the pace and pattern of structural changes taking place in the economy should be included in the index number intended to measure economic growth and welfare of the community.

About Children

Since children, their health and education are of far-reaching significance for both the community's welfare and future growth, the author feels that the composite index number should encompass birth-rate per thousand. Along with this, she has suggested inclusion of infant mortality rate and life expectancy at birth as variations therein indicate the extent of improvement occuring in the field of human resource development and quality of life. Together they would help to indicate the impact of population growth on pace and pattern of economic development which GNP alone is not in a position to reflect.

Also to be included in the composite index number proposed by the author is the literacy rate and proportion of non-agricultural workers. She opines that "The composite index which can be built up through the use of such indicators will serve as a creative complement to national income estimates."

In the case of developed countries, once favourable conditions for growth came to be established (e.g. one hundred per cent literacy, etc) inclusion of the above factors ceased to be of any significance. In the case of developing countries the circumstances are different and therefore they necessitate the inclusion of these additional factors. This composite index, according to the author, has also "the advantage that it can be used to lay down objectives that are attainable within the given framework of the international economic order and can help the policy-makers in appraising the disparity in the well-being of people which the national income estimates may sometimes distort."

While the composite index would definitely be superior to GNP as a measure of welfare of a community, especially in developing countries, its construction is not easy. There would be disagreement on inclusion of this or that physical indicator as also whether they truely reflect the degree of welfare. Increase in the level of education leading to increasing unemployment among educated and to frustration would actually lead to greater unhappiness than welfare.

And then there would be the question of giving appropriate weightage to factors like infant mortality, literacy, life expectancy and so on. The author has not given due attention to this.

And therefore while admitting that GNP is an unsatisfactory index of growth and especially of human welfare, at the same time it is true that construction of a composite index truly reflecting production and welfare of a community is fraught with complex difficulties. practically every objection that is raised against GNP can also be raised against the type of composite index proposed by the author. In the final analysis human welfare being more of a subjective matter, it is doubtful if conceptually and also practically it would ever be possible to construct an index number that would accurately measure changes in production and welfare of a community.

INDUSTRIAL LOCATIONS

Dr Papola in his *Spatial Diversification of Industries*, has made an attempt to examine the traditional theoretical propositions on industrial location and assess the impact of official and institutional efforts to bring about regional balance in industrial development.

The traditional theories of industrial location and spatial diversification believed that industrial location was determined by the balance between location of raw materials and market on the one hand and weight distance characteristics of material and output, on the other. Accordingly industrial activities requiring weight-losing materials got located at the raw material head, and those requiring weight-gaining material and costly transport of final output got located nearer the market. Thus sugar factories got located near sugarcane fields and aerated soft drink plants near the market.

But during recent years complex industrial structure has come into existence and industrial location cannot be satisfactorily analysed with the help merely of location and weight characteristics of raw materials and degree of nearness of market.

Changed Circumstances

For example, it is noticed that industrial structure has acquired an increasing proportion of such industries which are not predominantly natural resource and raw material-based. Also processes of production have so changed that many units use only semi-processed or intermediate products as their major inputs; a number of industries do not produce for the final consumer but only for other producers. It is also observed that with changes in technology, organisation and size of production units, factors such as infrastructure, power, cheap labour, finance, etc have become important factors influencing industrial location. Marketing has become a specialised function and a linear treatment of distance to market appears at present too simplistic.

Another very important factor influencing industrial location in recent years is the increasing concern of policymakers for reducing regional disparities in levels of development and industrial activity. Policymakers are trying to mitigate disperate effects produced by free play of market forces by classifying regions and districts into industrially backward and non-backward ones and adopting policy instruments based on special incentives and subsidies to be offered to entrepreneurs ready to locate industrial units in backward areas. Also Central and State Governments have located some large-scale public sector industrial units in backward regions. There is the programme of industrial estates and schemes such as central capital subsidy, tax concessions, concessional terms of loan assistance and raw materials and marketing assistance. And above all there is the licensing policy to achieve industrial diversification and location of industries.

Against this theoretical background Dr Papola finds that "The factory sector of industries in Uttar Pradesh has undergone a significant structural change during the past two decades." The modern sector of industries such as chemicals and engineering has grown relatively fast while the traditional industries such as sugar and textiles have not kept pace with the overall industrial development. The author observed that "On the whole, industries with raw material-based location declined in relative importance while foot-loose industries increased their share substantially." This change has made Uttar Pradesh's industrial structure 'locationally more diversificable.'

But the author observed that fiscal or financial incentives play only a marginal role in diversification of industries. The evidence points out that "infrastructure and agglomeration have emerged as major determinants of location overshadowing the importance of location of raw materials and markets." It appears that at present for diversification of industries even infrastructure does not seem the major bottleneck, except in remote and backward areas. Industries appear to grow and survive where other related industries exsit.

Mutually Supporting

According to the author, providing incentives to attract one or a few units in unrelated branches of industry is highly unlikely to succeed in developing a backward area industrially. According to him, "Planning of development of industries mutually supporting each other and using and providing certain common facilities for the promotion of skills, entrepreneural training, economy in raw material procurement and marketing would alone prove effective in industrial development of backward areas." The author's findings of this study corroborate this view. And therfore the policy implication is that Government should use regional growth points which have already developed in each region of Uttar Pradesh as the focal point and plan development of industries related with those already operating there and then gradually move to greater distance and to more backward areas, shifting the focal point to the newly developed areas in the process. The author believes that this process alone will prove successful in industrial development of backward areas in the long-run.

As there is much talk of development of backward areas and removing regional imbalances in States, it needs to be noted that this study has brought out that provision of fiscal and financial incentives in an indiscriminate manner alone will not achieve the objective. The author has advocated the use of above incentives withe the adoption of agglomerative approach for industrial dispersal.

The book should prove of direct interest to both students of industrial economics and to policymakers.

DEPOSIT MOBILISATION

C. Rangarajan has made an attempt his *Innovations in Banking* to analyse significant changes that have taken place in the Indian banking system since the nationalisation of 14 major commercial banks in 1969, particularly in deposit mobilisation and credit deployment. The study also attempts to analyse certain relevant issues and problems concerning deposit mobilisation and credit deployment.

It is observed that over a twelve-year period after nationalisation, "the deposits of the banking system have increased by seven and half times." The fact that ratio of deposits to national income has doubled during the same period shows that along with steep price rise and increase in level of income, massive branch expansion programme has played a vital role in this. Bank offices opened since 1969 constitute 75 per cent of total branches and according to the author, their potential contribution to deposit mobilisation can be substantial. Normally it takes six years for a branch to settle down and build goodwill and confidence among potential customers. This fact has also a significant bearing on assessing the economic viability of bank branches, especially those opened in rural areas and backward regions.

Since nationalisation the emphasis of banking policy on credit deployment has two aspects—more balanced distribution of credit among different regions and increased flow of credit to priority sectors.

As regards the first objective, the author has cautioned against "relying exclusively on the widely used indicator of credit-deposit ratio of different States." It is pointed out and rightly that "Insistence on banks maintaining a certain fixed credit-deposit ratio in all States may not after all help very much States with low absolute levels of deposits." It is pointed out that an attempt to ensure a more balanced distribution of per capita bank credit among States would require that credit-deposit ratios vary from State to State so long as deposit levels are not proportionate to population.

The author has analysed in detail various problems that arise in making provision of credit to priority sectors.

He has pointed out that there have been considerable differences in the ratio of credit going to priority sectors among various States. The target of 40 per cent was achieved much more easily in advanced States. Banks have pointed out that their failure to attain the objective in some other States was due to lack of absorptive capacity. This raises the issue of the scope and limitations of commercial banks in playing development role. It is rightly pointed out that the responsibility of providing additional credit to priority sectors cannot lie only on commercial banks but must be shared by the State and other development agencies which must prepare viable projects.

Priority Sectors

The author has also observed in connection with provision of credit to priority sectors, that the main beneficiaries are the richer sections of rural population such as farmers with large holdings. This is found to be particularly true of long-term credit. To overcome this problem, now sub-limits have been imposed in relation to different sectors and in relation to credit provided to small borrowers within each sector.

A third aspect of the problem relates to the creation of appropriate institutional support to banks themselves in the form of credit guarantee institutions. There is no doubt that introduction of credit guaratee scheme has encouraged banks to lend to small borrowers. This scheme therefore needs to be strengthened further.

It is pointed out that banks themselves

have evolved a number of mechanisms such as formulation of district credit plans, providing credit to groups of borrowers, etc. to see that small borrowers are not left out of the purview of credit system.

There is also the question of overdues. It is pointed out that big borrowers and not small ones are more prone to default. The problem of overdues needs to be tackled systematically as that has implications for both viability of the banking system and providing of increasing amount of credit through recycling of funds.

The author has rightly pointed out that commercial banks in rural areas have succeeded to a considerable extent in mobilising deposits. This could not be achieved by cooperative credit societies which mainly functioned as agencies to transmit funds from urban to rural areas. The author therefore has warned that while other financial institutions like cooperative credit societies and regional rural banks may be allowed to function as before, it would be a great misfortune if commercial banks are withdrawn from rural areas as sometimes demanded by specialised agencies, especially cooperative credit institutions. But at the same time the author has rightly suggested that in order to enable commercial banks in rural areas to fulfil their social responsibilities in a more effective way, they must increase their operational efficiency and social awareness.

Since the level and structure of saving and investment are to a great extent shaped by the financial institutions, and since in developing countries the major problem is that of adapting existing financial institutions to requirements of development process, this excellent study assumes great significance and is a valuable addition to growing literature on banking in India.

POLITICAL EMANCIPATION

Christian Bay has made an attempt, in his enthralling and thought-provoking book *Strategies of Political Emancipation*, to explore the ways of understanding and advancing human freedom.

The author begins by elaborating the main concepts. 'Freedom' or 'Liberty' refers to "any person's optimal capacity, opportunity, and incentive to express his or her own self, and to further develop one's self through authentic processes of feeling, thinking and acting with others."

'Oppression' refers to "every kind of denial, limitation, obstruction or destruction of freedom in this wide sense."

'Emancipation' refers to "every kind of process aiming at or tending to reduce oppression, or to expand freedom."

After examining the conventional liberal understanding of liberty or freedom, the author has demonstrated that it is much too narrow a concept and does not relate to the whole range of basic human needs. He believes that "liberalism's liberty is in effect incompatible with the value perspectives required to advance human emancipation according to rational humanist priorities for it is an ideological concept in the service of defending an established political system."

The author had made an attempt to develop the basic concepts for an alternative approach to the study of freedom, oppression and human emancipation. He has analysed three principal modes of oppression, namely domination, coercive oppression and alienation.

Appropriate Strategies

And on the basis of the analysis of these concepts, the author has tried to develop appropriate strategies of emancipation of man from all types of oppression so that he can enjoy freedom.

Throughout the analysis the author's central thesis is that protection of human lives should be the supreme objective of all theories and policies and that this requires a kind of organisation and policies that are designed to meet basic human needs everywhere and at all times. This approach of Christian Bay is in sharp contrast with the traditional liberal-democratic approach which has brought the world to the verge of total ruin.

Discussing the three modes of oppression, and appropriate strategy for emancipation from each mode of oppression, the author has argued that against domination (the first mode of oppression), we need a new political pedagogy and that we should look to democratically transformed colleges and universities as a potentially important ground for a new breed of political educators. Against structural violence and other coercive oppression and deprivation, according to the author, we need "a variety of organised efforts to confront the established order with nonviolent acts and strategies of defiance for undermining existing agencies of oppression and also for increasing powers of self-determining individuals of coming together in horizontal counterorganisations." And finally against alienation. according to the author, "We need to build horizontal communities again for the double purpose : to overcome our individualist alienation and to defy the nation-state's persistent tendency to take charge of determining our collective purposes and value priorities."

Human Misery

The author has forcefully demonstrated how "traditional liberal ideology with its faith in the economic and political market place as the arbiter of all values has served to justify enormous human miseries." Many of the worst agonies and sufferers of conventional economic and political liberalism with its emphasis on market forces and democratic make-believe are to be found in the developing countries of Africa, Asia and Latin America.

The liberal-democratic philosophy has resulted in the United States with just about 6 per cent of world's population consuming a full third of all the world's energy. On this US President Nixon commented : "That isn't bad; that is good. That means that we are the richest, strongeet people in the world, and that we have the highest standard of living in the world. That is why we need so much energy, and may it always be that may."

The human costs inflicted on much of the rest of humanity did not seem to matter to the President of the United States.

The author has then outlined his conception of an emancipated world. It is "a world of cooperating, federated natural communities rather than nation-states." According to him, "the way toward a communitarian and free world must begin from where we are today, within our liberal corporate societies, with a rejection of national loyalties and of the legitimacy of corporate claims to property rights, and with a continuing struggle to strengthen the bonds that will build mutual trust and social responsibility within our natural communities and at the same time facilitate a sense of transnational solidarity with all human communities."

Christian Bay's commitment to political enquiry is based on his deep conviction that human emancipation requires two kinds of resources: adequate knowledge, and a disciplined will to struggle for universal human emancipation. The author has certainly succeeded in providing the first one and hold before us a grand vision of human brotherhood. It is upto us to mobilise the second resource and march successfully towards the enlightened goal.

It is a classic book which helps the reader emancipate his mind from the bondage of traditional liberal democratic institutions thought so long as sacroscanct. May be temporarily but the reading of the book does elevate the reader to a higher moral plane. But then has not Gandhiji said all this before? And yet has not India sunk to the lowest level of moral degradation? Well, human emancipation is a struggle that must be fought daily and there may be no end to this struggle.

SURPLUS FLOWS

Industrialisation of predominantly agricultural countries generally assumes not only increasing supplies of foodgrains and raw materials but net transfers of savings from the agricultural sector to the industrial sector to maintain high rates of investment required for expanding the industrial sector.

It was felt by Dr Sudipto Mundle that there have been very few systematic efforts either to verify this hypothesis empirically with reference to historical experience or to analyse fully the possible effects of such net transfers from agriculture on the process of industrialisation.

Surplus Flows and Growth Imbalances. makes such a study which covers the period 1951 to 1971, that is the two decades of planned industrialisation in India. The study is facilitated because this period offers a comprehensive set of estimates of exports and imports of the agricultural sector year by year for the entire period. These estimates make it possible to trace not only changes in the quantum and direction of net transfer of real resources between agriculture and rest of the Indian economy but also the broad pattern of commodity flows between the two sectors and the proximate factors responsible for changes in them over a period of time.

The Three Faces

There are three phases within the period covered by the study : (a) the first half of 1950s when "starting with a net inflow of resources into agriculture the quantum of such inflow tended to decline"; (b) from mid-1950s to mid-1960s when it turned into a net outflow of resources from the agricultural sector and the quantum of this outflow was rising; and (c) the latter half of 1960s when resource outflow from the agricultural sector recorded a significant decline. According to the author, the year 1965 is significant as that year happens to be the turning point in the intersectoral resource flows, the years earlier to 1965 being broadly characterised by increasing outflow of resourc
from the agricultural sector and the yea
subsequent to 1965 being characterise
by decline in such outflow.

The author has tried to link this n
outflow from the agricultural sector an
subsequent decline in such outflow aft
1965 with strategy of industrialisatio
adopted from the Second Five year pla
until the end of the Third Plan and wit
adoption of new agricultural strategy i
the agricultural sector which subsequent
ly experienced green revolution in part
of the country which subsequently mad
the country more or less self sufficient i
foodgrains.

The important finding of the study
according to the author, is the clos
interdependence of agricultural and non
agricultural sectors for each other'
markets for their products. The impl
cation is that while process of industria
lisation will get quickened by net transfe
of resources into that sector, growth o
industry would get retarded if such trans
fer of resources results in proportionate
ly inadequate investment in the agricul
tural sector and consequent low growth
of that sector. According to the author
relatively large resources outflows from
the agricultural sector between mid-1950s
and mid-1960 was responsible for stag
nation which soon became obvious in the
industrial sector of the country.

Even granting that an economy car

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e neatly split into two clear agriultural or non-agricultural or indusial sectors, the author's methodogy is open to some serious objections. here is implicit assumption that output i either sector is directly dependent pon volume of investment in that sector. : is also assumed that capital output itio is constant over time in both the ectors. It is common knowledge that utput in both agricultural and industrial ectors is influenced by several other ıctors than volume of investment and ıat capital-output ratio varies.

Second when such intersectoral flows re analysed and implications worked ut, even granting that output is purely ıe function of investment, they would e valid only on the assumption that the conomy is a closed one. In fact between 951 and 1971 much foreign capital flowd into both agricultural and industrial ctors of the Indian economy and therere unless such flows are taken into ccount, no comprehensive idea of total ows into the two sectors would be btained. All that the study tells us is ıat there should be certain proporonality in investment in the two sectors ıd proportional growth of the two secrs (which of course is not solely derined by volume of investment) because f the close interdependence of the two ctors of the economy.

The author appears to have worked ackward from known conclusions to ossible causes which he hast ried to find t flows of resources between the two ctors.

FOOD PLANNING

L. Ramachandran's justification for riting on the much discussed food probm in India is that *Food Planning—Some ital Aspects*, is not a rehash of old aterial nor an attempt to cover the round already covered but that he intends concentrate on "certain profound but tleknown causes of food problem and put forward an altogether new pproach based on such study."

For some time there is euphoria on our od front. There is a feeling of comacency that we have succeeded on the od front, that the country has become lf-sufficient in foodgrains and that we shall soon be exporting substantial quantities of agricultural commodities to other countries. There is a feeling that our planners and policymakers have successfully effected a breakthrough in the agricultural sector and that imports of foodgrains, foodgrains scarcity and famines are all things of the past.

Searching Enquiry

The author has made a searching enquiry into the food problem and has arrived at conclusions contrary to what has commonly come to be believed regarding successful solution of our food problem.

No doubt, the country has increased its foodgrains production from about 55 million tonnes in 1951 to around 130 million tonnes at present. But if we carefully probe into both the qualitative as well as quantitative aspects of our food problem, according to the author, we are nowhere nearer the solution of the problem.

For example, though foodgrains production has more than doubled since the planning era started, population has also increased substantially so that there is hardly any increase in per capita availability of foodgrains. It is still quite insufficient to provide calories needed to sustain an average Indian.

A bad harvest as in 1979 and it is observed that the country immediately experiences substantial depletion of its buffer stock of nearly 10 million tonnes built mainly with imported foodgrains. The author has reminded that even as we have been indulging in talk of foodgrains self-sufficiency, India has been importing foodgrains in substantial quantities, may be to build adequate buffer stock.

If there is an appearance of foodgrains self-sufficiency and easy availability of foodgrains in the market, the fact is that a vast majority (nearly 48 per cent) living below the poverty line have no adequate purchasing power to buy even the minimum quantities of foodgrains needed by them. Easy availability of foodgrains in the market is thus no proof of the country's self-sufficiency in foodgrains.

Qualitatively the position has not improved much. In respect of pulses and edible oil, per capita availability has been actually declining for quite some time, and the country has been importing edible oil year after year. The country has failed to effect a successful breakthrough in respect of protective food articles like pulses. The same is true in respect of vegetables and fruits which continue to be luxuries for a majority of India's population. As regards milk, though India possesses nearly one fourth of total cattle population in the world, per capita consumption of milk in India is one of the lowest in the world.

According to the author, our dietary pattern and habits are such that we have been wasting valuable food-constituents when we consume refined foodgrains like polished rice, white bread, white sugar, etc. In addition to deficient quantity, qualitatively also our diet is extremely defective.

Protein Myth

The author opines that we have built what he calls 'a protein myth' and appear to have convinced ourselves that animal protein is better than vegetable protein. And therefore among younger generation eating of meat and even beef is becoming popular and India is going in for rearing of vast number of hogs and poultry in addition to vast cattle which she already has.

It is not realised that this vast cattle population and poultry result in tremendous pressure on our land resources and foodgrains stock and make our food problem more acute. According to the author, it is not at all realised by a majority of Indians that our traditional leafy vegetables are in a position to provide as much protein as meat and beef.

Further, if rate of increase in foodgrains production is viewed in comparision with rate of increase in our population, the author has pointed out that the food problem is likely to worsen in the near future.

And thus in the face of recent FAO report stating that four out of ten human beings in the world go to bed every day hungry and one out of every four such is an Indian, that though India's population constitutes 15 per cent of the world population, she has around 25 per cent of world's hungry and that even more than three decades after independence nearly half of the country's population has been living below the poverty-line and that by all accounts this percentage is increasing—all go to show that India's food problem is still too much with us and we should be fooling ourselves if we think that the country has become self-sufficient in foodgrains and that the country's food problem has been successfully solved once and for all.

It is difficult to counter the author's arguments. But the author is hopeful. He has pleaded that by proper planning of our cropping pattern, by growing more vegetables and by suitably changing pattern of our diet, it is possible to successfully tackle the country's food problem.

Books Received

Federal Finance and Economic Development in India: R.N. Tripathy; Sterling Publishers Pvt. Ltd., AB/9 Safdarjang Enclave, New Delhi; Pp 275; Price Rs 100.

Quantitative Micro-Economics: G.M.K. Madnani; Oxford & IB H Publishing Co, 17 Park Street, Calcutta-16; Pp 181; Price Rs 30.

Hymns to the Dancing Siva: Glenn E. Yocum; Heritage Publishers, 4C Ansari Road, Daryaganj, New Delhi-2; Pp 238; Price Rs 75/$15.

Foreign Resources and Development in India: Kalipada, Deb; Heritage Publishers, New Delhi-110 002; Pp 276; Price Rs 90/$18.

Why Poor People Stay Poor: Michael Lipton; Heritage Publishers, New Delhi-110 002; Pp 467; Price Rs 150/$30.

Famine: Kevin M. Cahill, Orbis Books, Maryknoll, New York 10545; Pp 163; Price not given.

The Dynamics of a Tradition: *Kasturbhai Lalbhai and his Entrepreneurship*: Dwijendra Tripathi; Manohar Publications, 2 Ansari Road, Daryaganj, New Delhi-2; Pp 243; price Rs 80.

Finance Corporations: *A Study of 'Unregulated Banks'*: C.P.S. Nayar; C.P. Somanathan Nayar; Institute for Financial Management and Research, 30 Kothari Road, Nungambakkam, Madras-600 034; Pp 121; Price Rs 45/$10.

Rural Economics: I.C. Dhingra; Sultan Chand & Sons, 23, Daryaganj, New Delhi-110 002; Pp 300; Price Rs 20.

Project Follow Up: S.P.S. Deol; Development Banking Centre, Jeevan Tara Building, 1st floor, 5 Parliament Street, New Delhi-110 001; Pp 161; Price Rs 65.

Changes in Agrarian Structure in India: H. Laxminarayan & S.S. Tyagi; Agricole Publishing Academy, D-76 Panchsheel Enclave, New Delhi-110 017; Pp 163; Price Rs 70/US $ 14.

Rural Development in India: T. Mathew; Agricole Publishing Academy, New Delhi; Pp 199; price Rs 100/US $ 20.

Export Incentives & Assistance: Anita Kumari; Anupam Publishers, R-98, Model Town (Rishab Nagari) Delhi-110 009; Pp 434; Price Rs 75.

Export—What, Where & How: Paras Ram; Anupam Publishers, R-98, Model Town (Rishab Nagari), Delhi-110 009; Pp 716; Price Rs 99.

Indian Navy's Submarine Arm: Birla Institute of Scientific Research, 13, Mahatma Gandhi Marg, Lajpatnagar IV, New Delhi; Pp 79; Price Rs 20.

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Demand for Food Processing and Tea Machinery

Food Processing

THIS INDUSTRY is assuming importance with the increase in the standards of living and change in food habits of the people and also with the stringent conditions stipulated by food authorities. There are at present eight units in production with total installed capacity of Rs 186 lakhs. The production during the last few years has been around Rs 208.63 lakhs a year. Considering the rising demand trend, there is a scope for additional capacity in this industry mainly in the following areas :

(A) Industrial kitchen and catering equipment broadly of the following categories : Stainless steel cooking ranges (electrical and gas-operated); Stainless steel sterilising sinks; hot food cabinets; stainless steel deep fat fryers; bulk cookers; stainless steel steam jacksted vessels; Dish washing machines and beverage and fruit juice dispensers.

(B) Meat processing equipments;

(C) Fruits processing equipment;

(D) Special universal equipment for mixing, kneading, grinding, cutting etc

(E) Equipment for freeze drying foods;

(F) Equipment for on-shore and off-shore processing of sea foods.

Out of the 8 items under category A mentioned above stainless steel cooking ranges and hot food cabinets have been reserved for development in the small-scale sector.

Food processing machines are generally manufactured both on the intermediate technology involving more manpower as well as on sophisticated technology involving complete automation. Schemes for manufacture of machines of both categories are being encouraged on merits. Foreign collaborations are also being considered on merits. Sustaining the quality of end-products, specific emphasis is laid on the manufacture of machines which would be within the range of small sector.

Following are the manufacturers of food processing machinery.

1. M/s Vulcan Laval Ltd, Mustafa Building, 7A, Sir P.M. Road, Bombay—Machinery for manufacture of fruit juice, jams, malts, jelly.

2. M/s Larsen & Toubro Ltd, L & T House, Ballard Estate, Bombay—Machinery for manufacture of fruit juice, jams, malts, jelly.

3. M/s. Vacuum Plant & Instrument Mfg. Co (P) Ltd, Mundhawa, Poona—Vacuum dryers for food processing industry.

4. M/s Ravalgaon Sugar Farms Ltd, Construction House, Walchand Hirachand Marg, Ballard Estate, Bombay—Machinery for confectionery.

5. M/s Mather & Platt (I) Pvt Ltd, P.B. No. 7, Chinchwad, Poona—General purpose food processing equipment.

6. M/s G.R. Engg. Works (P) Ltd, Poonam Chambers, Dr Annie Besant Road, Bombay—Confectionery machinery.

7. M/s A.P.V. Engg. Co Ltd, 2, Jessore Road, Dum Dum, Calcutta—General purpose food processing machinery.

8. M/s Uma Shankar Khandelwal & Co, 61/4, Ramjas Road, New Delhi (unit Shahdara)—General purpose food processing machinery.

Tea Machinery

The units licensed and registered to manufacture tea processing machinery given below have a total capacity of Rs 663 lakhs. As against this the present installed capacity is Rs 470 lakhs. the country today is nearly self-sufficient with regard to the availability of entire range of tea machinery. This is evident from the imports being almost negligible over the years. On the other hand because of the quality of the products and sophistication of their features, the industry is getting on fast in the export market and exports have exceeded Rs 100 lakhs a year. From the production angle the industry is standing on a firm footing and is in a position to entertain large orders for such plants and machinery and it is also in a position to export the technical know-how in this field. The present production level is above Rs 3 crores per annum. This level is likely to pick up further due to the headway being made on the export front.

The development of machines to produce instant tea and for tea packaging will help to enhance the existing production potential. The production of the industry during the last few years has been around Rs 380.88 lakhs a year.

Though considerable sophistication as well as production capability has been achieved in tea processing machinery, there still exists scope for diversification of the manufacture of some sophisticated items like the machinery for making instant tea, in keeping with the latest trend in the international market. This, however, may not necessitate the creation of any additional capacity especially for this purpose. The existing units may be encouraged to diversify for such products. Foreign collaborations are being considered on merits.

The following are the present tea machinery manufacturers in the country:

1. M/s Hoogly Cooking Engg Co Ltd, Port Engg. Works 12, Mission Row, Calcutta—Tea leaf processing machinery.

2. M/s Andrew Yule & Co Ltd, Yule House, 8, Clive Row, Calcutta—The leaf processing machines and tea driers.

3. M/s Taps & Dies Ltd, Faraday House, P-17, Ganesh Chandra Avenue, Calcutta—CTC machines, CTC rollers, and segment cutting rings.

4. M/s Steelworth Ltd, Tinsukia—CTC machines, CTC rollers and segments.

5. M/s Trade & Industry (P) Ltd, Tezpur—Tea leaf processing machinery.

6. M/s Marshall & Son Mfg. Ltd, 33/34 Ambattur, Industrial Estate, Madras—Tea processing machinery.

COROMANDEL FERTILISERS LIMITED

Regd. Office: 126, Sarojini Devi Road, Secunderabad-500 003.

Dr. Bharat Ram

... Senses recovery of confidence.
... Pleads with capital and labour for "a prudent concern for the common good"

The following is the text of the speech by Dr Bharat Ram, Chairman of Coromandel Fertilisers Ltd., at the 20th Annual General Meeting held on June 2, 1982

Ladies and Gentlemen,

It gives me great pleasure to welcome you all to this Twentieth Annual General Meeting of your Company From the Annual Report containing the financial results and the Directors' Report for the year ending December 31, 1981 forwarded to you, you would have observed that the results are better than last year's, reflecting the continued efforts of the management to maintain a high level of operational efficiency. The dividend of Rs. 2/- per share recommended by your Board for the seventh consecutive year would, I am sure, be welcomed by you all

The fortunes of a company, like those of Individuals in society, are influenced by the state of the economy, the policy framework and the response that leadership is able to evoke from different sections. The extra-ordinary character of India's economy, in the context of its diversity, its vastness, variety of tastes and habits is such that a small surplus can often snowball into an awesome glut and a marginal shortfall become magnified into a crisis of scarcity We must keep all these aspects in constant review while judging the behaviour of our economy. I am optimistic, despite problems, that with will and concerted action, the economy will not only move forward, but many of our objectives will be achieved steadily, even if gradually. Therefore, I submit that we have entered an era which promises growth in its total sense. The recovery of confidence is now an established fact.

The years that have passed have reflected our growing concern with the weaknesses and gaps in our infrastructure. I am glad to say that there has been an all round steady improvement in the infrastructure that supports the economy For instance, coal raisings are expected to exceed the target of 120 million tonnes Power generation has also increased by about 10% Our major carriers of goods — the railways — have shown an equally impressive record in terms of the traffic moved and the revenues earned All these are symptoms of improvement in the infrastructure, which had been a major bottleneck to development Certainly inflation has been in a large measure controlled

Agriculture will continue to have primacy in our economic affairs, considering the vast population that depends on it for food and employment opportunities. Despite much anxiety and concern that weather conditions would reduce output, in actual point of fact, we have achieved a record of 134 million tonnes of foodgrains. This is a good sign showing the resilience of our economy, the innovativeness of our farmers and the tremendous inputs of science that have gone into this sector.

But we cannot afford to be complacent. There are still gaps in our food-agri economy, particularly the reliance on imports where edible oils are concerned; the shortage of pulses, which is the chief protein source for the majority of poor. I am convinced, however, that with the intensive effort being made in research connected with oilseeds and pulses, we will soon enough witness a break-through. In fact, I am confident that it will not be long before we forget the lean years, the years of anxiety which shortage of oilseeds and pulses gave us. Our experience in wheat and rice might be replicated in oilseeds and pulses. In fact, some of the features that made the green revolution in the context of wheat may also come about in the field of oilseeds and pulses.

We must reckon with the fact that the pressure of population on limited cultivable land and resources, in the context of aberrant weather which yields us bumper harvest but can also mean widespread drought, calls for concerted efforts to raise more food not only from areas which are blessed with irrigation, but also those which depend essentially on rainfall. In India, out of 142 million hectares of cultivated land, approximately 108 million hectares are rainfed. Such acreage is responsible for 40% of our food production and nearly 80% of our cotton, 90% of our oilseeds and most of our pulses. The relevance of this could not be lost. The concentrated interest in this area arises not only on account of the contribution it makes but also because 50% of the population in this area lives in great poverty and the constant uncertainty which weather brings Therefore, an effort to promote greater agricultural production and stabilisation in rainfed areas acquires great importance. A heavy responsibility rests on our centres of research, extension agencies and coordinators of all-India projects of the ICAR

We have seen that agriculture is moving forward; it is equally heartening that industry has not lagged behind despite many constraints which have cramped efforts. Our industry has shown remarkable resilience and capacity to respond to the right incentives. It is equally gratifying that an element of political will has been injected into the policies governing industry and its growth. Government has been taking steps to increase industrial output and enhance availability of goods in the economy. The liberal impulses injected into the Industrial Policy in its operative part will make greater production possible. There are two areas which need constant, unremitted attention. Our balance of payments position, never too buoyant for long periods, has in recent months touched levels which cause concern. The ultimate answer to create a comfortable, dependable balance in external payments is to push up our exports The export effort must be imaginative, innovative and continuous This becomes even more important when in the world markets there are recessionary tendencies and a subtle and even an open protectionist policy has been adopted Neither should there be complacency in respect of oil. There have been changes in the world oil scene, and we seem to be witnessing scarcity and glut alternatively Our priority for oil must continue and our quest for oil pursued vigorously

While makers of policy have rightly claimed credit for containing inflation, some of the means adopted, certainly cause great concern now. I am not an economist and lay no claim to understand the higher and esoteric equations, models and curves that engage the economist. But as a practical businessman, I feel the harsh, almost draconion measures imposed by Government to control the flow of credit to industry and trade have been more in the nature of strangulation, rather than measured control. May be, there has been a realisation, belatedly that the stringency and severity has starved genuine sectors of industry and trade. The CRR has been readjusted though the benefit will be only marginal. During the past many months, spokesmen of industry and trade have brought to the attention of Government the consequences of severe credit control. Some industries, such as tractors and commercial vehicles have felt the impact more harshly. In many sectors, demand has fallen and recessionary tendencies have become evident. Stocks have piled up. It is, therefore, important that the CRR and the SLR are restored back to the July 1981 level The funds thus set free should be earmarked for financing 'working capital' needs of industry and trade. In the absence of such relaxation, sickness and recessionary tendencies in industry will grow In my view, it is easier to fight inflation than the crippling and demoralising effects which recession brings in its wake.

The problem of managing an economy like ours is difficult particularly when needs of development exceed domestic resources. We have sometimes to look for funds outside Inspite of much criticism, often irrelevant and uninformed, that borrowing from IMF and commercial banks has evoked, I for one feel that as a short term measure, when directed towards specific projects and commodities which ultimately save them from being imported, it is to be welcomed. But this can be, I repeat, only a short term measure. Eventually, we must improve our balance of payments position by import substitution and increased exports.

While the production and sales performance of our Company during 1981 has been satisfactory, signs of approaching resistance insofar as offtake of fertilisers is concerned began to be felt at the end of the year itself

The current estimate of fertiliser consumption in the year 1981-82 has fallen short of the target and has shown only a marginal growth over the previous year (1980-81). The indications are that P_2O_5 consumption has dropped in 1981-82 over the previous year and the small overall growth achieved was due to increased consumption of nitrogenous fertilisers. Consumption of fertilisers in general and that of phosphatic fertilisers in particular has continued to be sluggish since August last year Two successive hikes in the consumer prices of fertilisers in June 1980 and July 1981 resulted in a compound price rise of 64% and have brought about consumer resistance, more so for phosphatic and complex fertilisers.

I am particularly happy to inform you that your Company has made considerable progress in the establishment of the Cement Project during the last year. Shipments of the imported equipment have started to arrive at the site and most of the indigenous machinery is coming in as per schedule Construction of civil works is in full swing. Financial arrangements for the revised capital outlay of Rs. 79 crores have been successfully completed and the necessary security has been created in favour of the consortium of financial institutions who have extended term loans for the project enabling the Company to draw on the funds. I must thank all the participating financial institutions, including International Finance Corporation, Washington and the banks for their expeditious sanction of the loans, the interim disbursements that they have arranged pending creation of security and for early execution of the loan documentation. But for their excellent cooperation, the financing of the project could not have been settled so smoothly and speedily. All the project staff are now working hard — dedicated to the task of completion of erection and start-up of the Plant by the middle of 1983 as scheduled.

During the year, Dr. Easo John who had been appointed on the Board in place of Mr John K. John, resigned. Mr. R.N. Ratnam, Senior Vice-President of E.I.D. Parry has joined the Board, effective March 30, this year. We are sure, the Company will be benefited by his association.

I am happy to say that, as in the past, the Management received excellent cooperation from all employees of the Company during the year as well and this has helped to sustain the steady growth of the Company, particularly in its diversification activity.

One vitiating factor that has crept into our economic activity and which bothers me is the needless and unnecessary division—fragmentation of the very processes of production and distribution. The entire production process is an integrated one in which Government, labour and the managerial class have to work together, to achieve results and to increase productivity. The spate of industrial strikes, unrest, uncertainties and often long periods of closures, is a symptom that the poison of division has gone deep into the system. It is time we throw it out. Here, my appeal is to the leaders of labour to change their attitudes and to regard labour as a very potent contributor to the common good and the inheritance is as much theirs as of anyone else involved in the process of production.

This year, christened the 'Year of Productivity', our major commitment should be a relentless pursuit of productivity. We have already seen the glimmer, of the recovery of confidence; the road is long, the mood defiant, determined.

..."Does the road wind uphill all the way ?"
'Yes, to the very end'.
"Will the day's journey take the whole long day?"
'From morn to night my friend' ....

This expresses a truth as well as can be attempted, and the message is clear. If labour and capital could, as the Bishop of Rome aptly put it, have a prudent concern for the common good, the year of productivity could yet become tremendously meaningful, and importantly capable of achievement. This demands of us all, Government, business and labour, the will to 'toil' together, to save for the nation, for investing in its future

Thank you.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

coromandel
gromor

STATE OF THE ECONOMY

Aluminium Retention Prices

THE HINDUSTAN Aluminium Corporation is scheduled to hold discussions with Government officials early next month over the question of an upward revision of retention prices for the company's products.

Disclosing this at the annual meeting of the company, Mr Aditya V. Birla, a Director, told shareholders that the price increase announced by the Government in December 1981 fell far short of the increase in the costs of inputs.

While the prices of all inputs including those supplied by the Government, had shown a steep rise, the marginal increase in retention prices did not even cover the increased costs, he said.

Mr Birla told shareholders, that in view of the inadequacy of the price increase, the company preferred an appeal with the Government. The question of an upward retention prices was being pursued. He expressed the hope that there would be some positive response "so that production of luminium need not always e a losing proposition."

Since the last price revision, e said, there had been a urther steep escalation in the ase of most inputs, especially ard pitch, supplied solely by AIL. There has been a hike n power tariffs and in railway eight.

Mr Birla said the Government should follow a realistic rice policy with regard to uminium as it has done in e case of steel and cement. urther, there is a need to olve a formula, under which e industry can on its own, adjust the prics taking into count the escalation in costs.

While unremunerative prices are a major constraint for the industry, yet another problem is the indiscriminate importation of aluminium metal. Stocks have piled up with most of the manufacturers and MMTC and, consequently inventories have grown to alarming proportions. Importation of metal, at the cost of domestic capacity, cannot be justified. especially, now when the country is passing through a crisis of foreign exchange, he said.

New HMT Watch Factory

The Union Industry Minister, Mr N.D. Tiwari, urged the people to strive hard to keep abreast with the latest technology as the future belonged to those who could compete effectively in the fierce race of production technology. Intensification of research and development and untiring effort towards improvement of productivity therefore holds the key to success, Mr Tiwari said, inaugurating the fourth watch factory of the Hindustan Machine Tools at Tumkur in Karnataka.

Praising the strides taken by this public sector undertaking since its small beginning in Bangalore in 1953, Mr Tiwari said its progress had reinforced our confidence in carrying the country forward towards economic and technological self-reliance.

The Tumkur watch factory, set up at a cost of Rs 30 crore, is designed to produce two million watches and provide employment to about 10,000 workers.

Mr Tiwari said in this year of productivity, the nation expected a leading organisation like the HMT to break fresh ground and reach new heights so that it may continue to remain in the "vanguard of progress".

The company, which started manufacturing watches at its Bangalore unit in 1962 to mainly prevent smuggling and produce quality watches for the common man, has by now turned out 20 million watches.

Besides the units in Bangalore, Srinagar and Tumkur, the HMT has 13 assembly units in various States, which had opened up employment opportunities for thousands of people not only in its factories but also in several ancillary units.

Looking to the performance of HMT, Mr Tiwari said the Tumkur unit appeared "to me as a new jewel in the industrial crown of India."

Airbus for Air-India

Air-India signed an agreement recently with Airbus Industries of France for the purchase of three A-300B4-200 Airbus aircraft in a step to augment and modernise its fleet.

This is a major departure for Air-India from its policy, so far, of using one family of aircraft—Boeings—for its operations.

The signatories to the agreement included Mr Raghu Raj, Chairman of Air-India and Mr Ranjit Jayaratnam, General Sales Manager, Airbus Industries. Also present on the occasion were: Mr C.L. Sharma and Capt. D. Bose, Deputy Managing Directors of Air-India and Mr Jacunes-Marie Coache, Area Sales Manager, and Mr David Wilson, Contract Manager, Air-Bus Industries.

Two aircraft will be delivered in July/August and the third in November this year. They will be operated on the Gulf and Kuala Lumpur/Singapore routes, thus releasing the spacious 747 aircraft for the airline's operations to Canada commencing later in the year as well as replacing the older 707 aircraft which are being phased out.

The new aircraft will have 22 first class and 216 economy seats and will be able to carry about nine tonnes of cargo at full payload capacity.

Indian Airlines

Indian Airlines will introduce a two-class configuration on its Airbus aircraft from July 1 .The "Executive Class" will be located in the front and the rear will have economy class configuration. The Executive Class is being introduced primarily to cater for the requirements of foreign tourists flying into India by first class who presently feel inconvenienced for want of such a facility. This class will have 31 seats and will only be available on its Airbus aircraft.

Facilities that will be available to the Executive Class will be more leg space, larger seats and the facility of free carriage of 30 kgs of baggage for a passenger. The Executive Class passengers can also check in through the 'Express Counter' which now checks passengers with no baggage. Their baggage will be loaded last on the aircraft so that it could be off-loaded first at the destination.

The total number of seats on the Airbus aircraft will then be 273 as against 278 at present. The fare will be 12.5 per cent more for the Executive Class than that of the standard class passengers. All other services including inflight cabin service will be common for all passengers.

Coal Prices

The average price of coal has been increased from Rs 126.02 per tonne to Rs 145.90 per tonne for the Coal India Limited and its subsidiary companies. For the Singreni Coalfields, the price has been raised from Rs 136.85 per tonne to Rs 154.75 per tonne recently.

This was announced recently by the Union Energy Minstry. Though a decision had been taken to increase coal prices four months back this was announced recently. The new prices came into effect from

May 27, 1982. The last price revision was introduced in February 1981. This will be the third price revision in the last four years. The coal companies have been suffering huge losses due to uneconomic prices.

According to a press release the upward revision in prices had become imperative as a result of cost escalations since the last revision. The release states that as a result of increase in cost of production, which has already taken place and which is expected to go up further the margin of profit envisaged by the coal companies has been eroded. In fact if the revision was not introduced, the companies were likely to continue to suffer massive losses.

According to the release, the price of soft coal, which is used by the domestic sector, has been fixed at Rs 175 per tonne against the existing price of Rs 150 per tonne. Though the increase appears to be substantial, it is still far below the cost of production. It is estimated that the break even point will be at the selling price of Rs 190 per tonne. To the extent of Rs 40 per tonne, the prices of this grade of coal are bring subsidised. The prices have been revised after an indepth cost study.

LIC Progress

The Life Insurance Corporation of India is making brisk progress in the mechanisation of its operations. After installing microprocessors at its divisional offices in Bangalore, Delhi and Cuddapah, LIC is now planning to instal the processors in more of its divisional offices.

The pace of this changeover depends entirely on the facilities available to it by way of processors themselves, the power supply in the region they are to be installed and adequate premises to be got ready to instal these processors.

The plans are that 20 more divisional offices will by 1985-86 cover all the 42 divisions in the set-up of the corporation. Added to this, are the systems to be installed in the zonal offices and the central office of the Corporation.

Already the LIC is said to have contacted half a dozen of the major manufacturers of microprocessors in the country and given to them its requirements. It has emphasised what its specific needs are and its capacity needs so that the manufacturers could build the processors to suit its wants. Though it is too early for the computation of the final bill it may run into several crores of rupees.

Blue Star

Blue Star's new Research & Development Centre was inaugurated by the company Chairman, Mr Ram D. Malani, recently, Located at the company's manufacturing plant at Thane, the new R&D Centre comprises a design office, electronics laboratory and workshop with fullfledged testing facilities to ensure that the company's products conform to ISI and other international specifications. This will enhance the competitiveness of the company's products in the international and domestic markets.

TEL-ACC Cement Unit in Iraq

Tata Exports and Associated Cement Companies have secured a large value contract for complete management, operation and maintenance of a 2-million tonnes per annum capacity cement plant in Iraq. The contract, valued at US $ 24 million, was signed in Baghdad recently by Mr Syamal Gupta, Managing Director of Tata Exports, and Mr S. Krishnaswami, Managing Director of ACC. This is the first such contract awarded by Iraq to any overseas party and it is a creditable achievement as it was secured in competition with renowned Japanese and European firms.

The plant, being built by Marubeni-Kawasaki of Japan, is nearing completion. As per the terms of the contract, TEL-ACC will assume complete responsibility for efficient operation of the plant through technical know-how and modern management techniques and guarantee the rated output. About 650 personnel, comprising technical, managerial and other experts, will be deputed from India. The TEL-ACC combine is already managing a modern plant at Yanbu in Saudi Arabia. The excellent performance in Yanbu has helped TEL-ACC to enter the important market of Iraq.

Indo-Bangla Economic Cooperation

India and Bangladesh have agreed to set up a joint economic commission to further develop economic and technical cooperation between the two countries and to intensify efforts to expditiously find a mutually acceptable solution to the problem of sharing the waters of the Ganga at Farakka and augmentation of its flows. A joint pres
statement issued at a crow
ded press conference addres
sed by the Indian Externa
affairs Minister, Mr Nara
simha Rao, at the end of th
formal negotiation recentl
between the two countries o
the whole gamut of bilatera
issues, said that such effort
to solve the sharing probler
of the Ganga waters shoul
continue until a solution wa
found to the mutual satisfac
tion of both the countries.

The two sides, had furthe
agreed that all other outstand
ing issues between the tw
countries, including the imple
mentation of the land boun
dary agreement of 1974 an
finalisation of the terms an
conditions of the lease i
perpetuity of India's Ti
Bigha corridor to Bangla
desh and the question of th
New Moore (South Taa
patty) Island and the delinea
tion of the maritime boundar
will be resolved peacefull
through amicable negotiation
as soon as possible."

Referring to the need fo

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As a major Indian bank, with an amazingly large network of branches all over India, and a full-fledged branch in London, Syndicate Bank has the knowledge and the knowhow. We offer you the finest services in all aspects of international banking and currency dealings, with our worldwide connections.

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constant review of the bilateral relations, the joint statement said that the two countries had agreed that their bilateral relations be given further impetus through frequent consultations and exchange of visits at all levels to promote an atmosphere of goodwill "conducive to further consolidation and strengthening of these ties and the resolution of all outstanding problems."

On the regional cooperation, both sides have agreed to take steps in close concert with other countries in South Asian region to maintain the momentum of progress in the implementation of the proposal for regional cooperation among South Asian countries.

Pound-Rupee Exchange Rate

The Reserve Bank of India on May 26, announced a further downward revision of the rupee by 0.3 per cent in relation to the pound sterling, making sterling dearer by five paise. The spot buying and selling rates are so fixed as to give a new middle rate of Rs 16.85 compared to earlier rate of Rs 16.80.

The new buying and selling rates for spot delivery are 5.9488 and 5.9207 pound sterling per Rs 100 corresponding to Rs 16.84 and Rs 16.89 per sterling, respectively.

This is the second subsequent devaluation of rupee in terms of the pound sterling.

Nhava Sheva Port

The Union Cabinet has finally approved Nhava Sheva port, across Bombay Harbour. The total cost is estimated at Rs 692 crore, including Rs 100 crore for capitalised interest during construction. A foreign exchange component of Rs 195 crore has been envisaged in the project cost.

To ensure speedy execution—the project has been under consideration for many years—a separate port trust board is being appointed.

A high-power committee is proposed to be constituted to accelerate decision-making and monitor the progress of construction. This committee will consist of Secretaries in the Ministries of Shipping and Transport and Commerce, departments of Economic Affairs and Expenditure, Member Secretary, Planning Commission and the Chairman of the Railway Board.

The committee apart from giving sanctions in administrative and financial matters which are not within the competence of the board of trustees would conduct bilateral negotiations with representatives of other countries, World Bank and other financial institutions.

Bank of Baroda

The multi-service agency of Bank of Baroda has completed 10 years of its existence and met the needs of scores of self-employed persons.

The bank was first among all banks to introduce such a scheme for helping the weaker sections of the society. In fact, the bank set up a separate branch exclusively to cater to the needs of small persons. At present, the bank has 399 MSA centres throughout the country.

Under the scheme, the bank has extended loans totalling Rs 51 crore to over 3.6 lakh persons which, in turn, has generated employment opportunities for over 4.55 lakh persons.

The vast majority of the beneficiaries under the scheme have been illiterate individuals. In fact, over 66 per cent of the disbursements (Rs 31.72 crore) have gone to 2.56 lakh beneficiaries in this category.

Indo-American Bank in California

A group of 11 Indians is currently in the process of attempting to charter a full-fledged bank in Northern California. If successful in their attempts, the group will go down in history as the first ever group of Indians to have started a private bank outside India.

These enterprising individuals who will play the role of organizers and also be among the directors of the proposed bank are all residents of the Bay Area and represent a broad spectrum of academic and business backgrounds.

Listed in alphabetical order, these individuals are: Los Altos based Gulu Advani, engineering manager at Hewlett Packard; Saratoga based Noor Billawala, real estate developer; Tiburon based Kirit Chinai, importer and owner of several gifts stores; Tom Kailath, professor and associate chairman of the Electrical Engineering Department at Stanford University; Kishore Kripalani, one of the owners of the Gaylord chain of restaurants in Northern California; El Sobrante based Ramesh Murarka, publisher of *India-West* newspaper; San Francisco based Dayabhai Patel; owner of several motels; Walnut Creek based Sharad Parikh, project engineer at Bechtel; Los Altos based Raj Prasad, deputy superintendent of the San Mateo School District; Haresh Shah, professor of civil engineering and co-director of the Blume Earthquake Engineering Center at Stanford University; and Badru Valani, owner of Globe Travels in San Francisco.

Majestic Wiley Opens Delhi Office

The Canadian High Commissioner, Mr John Hadwen has forecast the beginning of a new era of Indo-Canadian economic cooperation. The High Commissioner made the comments resently at the official opening of the Asia, Pacific and Middle East representative office of Majestic Wiley Contractors Limited in New Delhi. Mr Hadwen noted a dramatic upsurge in the number of inquiries from Indian companies about transfers of technology from Canada. He said this trend has been paralleled by growing interest by Canadian firms in possible technical collaborations and joint ventures in India. "In fact," said Mr Hadwen, "I am pleased to note that more than 30 different Indo-Canadian collaborations are under negotiation at the present time."

Majestic Wiley Contractors Ltd, established in 1954, has offices in Canada, the United States. Majestic Wiley is North America's largest pipeline contractor. It has a permanent staff of 120 people and a construction work force of up to 3,000. Its annual sales range from Cdn $100 million to Cdn $200 million.

Names in the News

Sardar Daljit Singh

Sardar Daljit Singh, Chairman, Pure Drinks (New Delhi) Limited has been elected as President and **Mr C.L. Batra** Chairman, Grindlay Group of Industries as Vice-President of the Delhi Factory Owners' Federation.

Bank of America's Executive Vice President, **Verone Gibb** has been appointed bank's head of Asia Division with headquarters at Tokyo. Gibb replaces Executive Vice President, **James Miscoll**, who becomes head of the Bank's California Division.

Mr. K. K. Modi, Vice Chairman and Managing Director of Modi Enterprises, has been elected Vice-President of the Punjab, Haryana and Delhi Chamber of Commerce and Industry for the year 1982-83

COMPANY AFFAIRS

Sundram Fasteners

SUNDRAM FASTENERS Limited has achieved impressive results for the year ended March 31, 1982. The turnover has risen by 67 per cent to Rs 19.06 crores from Rs 11.43 crores in 1980-81. The Krishnapuram fastener unit commissioned in March 1981 operated efficiently and the capacity could be fully utilised within a short period. Sales of fasteners of both units were thus substantially higher at Rs 18.04 crores against Rs 11.20 crores previously. The cold formed/extruded components unit at Hosur too raised its output significantly and its contribution to sales was Rs 1.02 crores against Rs 23.76 lakhs.

The net profit, before depreciation and taxation, has risen more than proportionately to Rs 385.98 lakhs from Rs 220.21 lakhs, there being a higher level of productivity. The amount set aside for depreciation is Rs 97.57 lakhs (Rs 48.85 lakhs) and investment allowance Rs 52 lakhs (Rs 49.20 lakhs). In view of heavy capital expenditure, the provision for taxation is only Rs 36 lakhs (Rs 26.20 lakhs).

The dividend has been maintained at 18 per cent taxable. But it is payable on an equity capital enlarged by the issue of bonus shares and new equity shares issued at a premium of Rs 4 per share for public subscription in February. The last-mentioned equity shares will be entitled to a proportionate dividend for a fortnight. The amount required is, therefore, higher at Rs 30.57 lakhs (Rs 17.64 lakhs) and is covered more than eight times by disposable profits.

The transfer to general reserve is Rs 161.82 lakhs (Rs 232.54 lakhs). The appropriations have been completed after taking credit for Rs 11.24 lakhs (Rs 21.40 lakhs) from development rebate reserve and other provisions no longer required. The larger transfer to reserve on the last occasion was due mainly to the credit of Rs 132.45 lakhs in respect of excess provision for depreciation relating to earlier years.

Modernisation Plan

The expansion and modernisation schemes are proposed to be briskly implemented. The expenditure on various schemes is likely to be large and arrangements are being made to find the required resources in foreign exchange for import of plant and machinery. While the modernisation scheme at Padi will require a sizable outlay, the powder metallurgy project will involve an investment of Rs 3.76 crores.

The technical collaboration agreement with Sintermetalwerke Krebsoge, West Germany, has been concluded and the letter of intent is being converted into an industrial licence. It is scheduled that this project at Hosur should be in operation early in 1983.

The requisite technical know-how for manufacturing sophisticated cold-formed/extruded products has also been secured from West German interests and it has been indicated that capital expenditure of Rs 5.78 crores will have to be incurred for achieving the full licensed capacity. There will not be any difficulty in securing the required funds as internal resources will be generated on a large scale and only the foreign exchange content will have to be met through loans.

Kothari Enters Electronics Field

Kothari Electronics and Industries Limited, a member of the Kothari Group of Companies made its entry into the field of electronics by setting up a unit at Maraimalainagar, in Tamilnadu for the manufacture of carbon film resistors and water activated batteries. The unit for manufacture of resistors, with a capacity of 100 million pieces per annum was installed in January 1981 and that for the manufacture of water activated batteries, with a capacity of 30,000 batteries per annum in August, 1981. In the very first year of its operations, the company was able to declare a dividend of 10 per cent on equity. The company went into collaboration with M/s Plessey of Italy for manufacture of professional grade polystyrene capacitors with an installed capacity of 3 million pieces per annum. The plant, which is located at Hosur in Tamilnadu has recently gone into commercial production.

As a further measure of diversification in the field of electronic components, the company is now in the process of setting up, in collaboration with M/s. Plessey, a plant for the manufacture of 50 million pieces of box capacitors and 3 million pieces of AC capacitors. These capacitors which have certain unique design features developed by M/s Plessey cater to a wide range of applications in the field of electronics covering inter alia radio and television receivers, tape/cassette recorders, amplifiers and PA systems, electrical fans, mercury and sodium vapour lamps, electrical pump sets and fluorescent tubes for industrial fittings. The cost of the project is Rs 12 crores which is proposed to be financed by the promoters, public issue, term loans from financial institutions and foreign loans. The means of financing proposed to be adopted will ensure a debt-equity ratio of 2.3 : 1 for th company as a whole. Th foreign loan for the proje has been tied up with M/ Credito Italiano with guaran tees from the State Bank India.

The collaboration agre ment with M/s Plessey pro vides for buy-back upto 7 million pieces, during th first five years subject to maximum of 50 per cent of th production during the first years of operation. The com pany expects to export t Plessey 33 per cent of the pro duction in the first year, 5 per cent each in the secon and third year, 33 per cent i the fourth and 29 per cent i the fifth year respectively The internal rate of retur before tax of the project i 22 per cent. The pay-back i expected to be 4½ years. Th cash break-even at 100 pe cent capacity utilisation is 4 per cent and normal breakeve is 72 per cent. Subscribers t the rights issue which th company is making would b entitled to prorata dividen for the current year which the company hopes to declare barring unforeseen circum tances.

Punjab National Bank

Punjab National Ban registered an increase of 1 per cent in its net profits i 1981 over the preceding yea During 1981, bank's profit amounted to Rs 4.51 crore.

According to a press releas issued by the bank recently, it total deposits increased b Rs 612 crore (21 per cent) t Rs 3,377 crore at the end o the year. The advances in creased by Rs 379 crore t Rs 1,914 crore. Expansion i non-food credit at Rs 35 crore during 1981 was th same as in the preceding yea

According to the pres release, the bank increased it flow of credit to the priorit sector from Rs 548.7 cror spread over 5.28 lakh borrowa accounts in December 198 to Rs 689.9 crore spread ove 6.48 lakh borrowal account in December 1981. The rati of proirity sector advances t total advances improved fro

37.9 per cent to 39.3 per cent against the national goal of 40 per cent to be achieved by 1985.

PNB's assistance under the differential rate of interest scheme (DRIS) increased by Rs 5.30 crore to Rs 22.10 crore during 1981 and accounts from 1.17 lakh to 1.47 lakh.

The gross income of the bank increased by Rs 66.15 crore to Rs 282.61 crore. The total expenditure increased by Rs 47.33 crore.

During 1981, the bank opened 135 offices, 109 of these in rural areas.

Sandoz

Dr J.N. Banerjee, Managing Director, Sandoz (India) Ltd, told the shareholders of the company recently at the annual meeting in Bombay that the Reserve Bank of India had agreed that Sandoz Ltd, Basle, could continue to hold 60 per cent of the paid-up equity capital of the company.

This decision by the Government is a recognition of the fact that the company is in the core sector with high technology and consistent export record.

About company's operations in the current year he said that sales in the first four months of 1982 showed an increase of four per cent over the sales in the same period of last year. Among the three divisions of the company only agrochemicals performed as expected achieving 3 per cent increase during the four month period.

On the other hand, pharmaceuticals sales declined by 11 per cent and dyes division could register only a marginal growth after a fine record in 1981.

The poor performance of the pharmaceutical division was mainly because of shortages. Several major products were in short supply as a result of the Government's restrictive policies. The Government's delay in sanctioning price increases has further eroded the profitability.

Prospects of the dyes and chemicals divisions and to a lesser extent that of agrochemicals division are linked with the prolonged textile strike in Bombay. The low price of cotton with the limited purchasing power of farmers may result in some problems for the agrochemicals division especially in the second half of 1982.

National Rayon

National Rayon proposes to diversify further its activities. It has sought the Government's approval for a project to manufacture 2500 tonnes of polyester filament yarn per annum. It has already received a licence for a preservatives project, and is awaiting a licence for fungicides project.

The company has received a letter of intent for expansion of its nylon tyre cord and industrial yarn capacity from 3,300 tonnes to 5,000 tonnes a year. It has embarked upon the third phase of its modernisation programme aimed at augmenting power generation facilites.

The company spent Rs 8.39 crore on capital expenditure during 1981. It raised the capacity of nylon tyre cord fabric plant from 1650 tonnes to 2,805 tonnes during the year.

The company has achieved a higher turnover of Rs 97.67 crore in 1981 against Rs 92.37 crore in 1980.

The Directors have recently proposed to issue bonus shares in the ratio of two shares for every five shares held. The company's equity dividend has been maintained at 25 per cent.

Western Ministeel

Western Ministeel has earned a lower gross profit of Rs 47.98 lakh for 1981 against Rs 56.66 lakh for 1980. This is despite a rise in sales to Rs 9.82 crore from Rs 6.60 crore.

Its net profit amounts to Rs 11.15 lakh against Rs 9.53 lakh after providing Rs 9.38 lakh (Rs 9.55 lakh) for depreciation and making other adjustments.

The company achieved 87 per cent of the capacity utilisation with its production totalling 27,750 tonnes in 1981. It has completed modernisation of its billets casting machine. The company hopes to fare better in 1982 although the trading conditions have not shown any significant improvement during the first quarter.

Rama Fibres' Sales Rise

Sales of Rama Fibres from January to April 15, 1982 were of the order of Rs 1.75 crore. The company expects to reach a sales turnover of Rs 6 crore during the current year.

Rama Fibres promoted by Hada group of industries has shown a surplus of Rs 2.88 lakh for the year ended December 31, 1981 without providing for depreciation and interest. However, there is a cash loss of Rs 7.30 lakh subject to depreciation. The company which started commercial production in March 1981 had installed 12,825, spindles by December 1981. Sales turnover during this period was Rs 1.46 crore. It plans to expand its present capacity to 25,000 spindles at a cost of Rs 8 crore. This expansion programme is hoped to be completed by first quarter of 1984, according to Mr G.R. Hada, Vice-Chairman of the company.

Hada Steel

Hada Steel Products Limited has shown a 25 per cent increase in its sales during 1981 to Rs 1.30 crore over the corresponding period of the previous year. The gross profit has risen threefold from Rs 4.01 lakh (for the 15-month period ended December 1980) to Rs 11.84 lakh. After transferring Rs 2.54 lakh from development rebate reserve no longer required. Hada Steel has allocated Rs 12.05 lakh for depreciation which includes provision for the years 1978-79 and 1979-80.

The company has also cleared the arrears of preference dividend from 1975-76 up to 1977-78 which claim Rs 1.63 lakh. The company is hopeful of reaching sales of Rs 2 crore during the current year.

The company's agency division has finalised a contract with Chemtex Fibres, New York, for setting up a polyester stable fibre plant jointly with the Punjab State Industrial Development Corporation.

United Carbon

Although United Carbon India Ltd, has suffered a setback in its operations during 1981, the Directors of the company have proposed to maintain the dividend at 12 per cent for the year. While sales have gone up from Rs 16.62 crore to Rs 18.62 crore, the gross profit had declined sharply from Rs 2.72 crore to Rs 1.41 crore.

Large-scale imports are cited as one of the major factors for the lack of adequate growth in sales. The company is expected to fare better in the current year because imports have been reduced to a trickle and the demand for the company's products has started to grow.

The profit after tax is placed at Rs 37.91 lakh (Rs 1.66 crore) after providing Rs 40.49 lakh for depreciation (Rs 46.16 lakh), Rs 5.25 lakh for investment allowance reserve (Rs 4.11 lakh) and Rs 58 lakh for taxation (Rs 60 lakh). After transferring Rs 6.50 lakh from development rebate reserve (nil) and making adjustments, the amount available for appropriations is Rs 43.69 lakh (Rs 87.14 lakh). The proposed dividend will absorb Rs 33.56 lakh (Rs 33.56 lakh) and the allocation to general reserve has been reduced from Rs 53.59 lakh to Rs 10.14 lakh.

The collaborating agreement with UP State Industrial Development Corporation Ltd, has now fructified with the incorporation of a new company—Uttar Pradesh Chemicals Ltd. This company which is in the joint sector will undertak manufacture of carbon black from a plant to be built near the Mathura refinery.

Shree Digvijay Cement

The Directors of Shree Digvijay Cement Co Ltd. propose to raise the equity dividend from 15 per cent to 16 per cent for the year1981.

There has been a marginal improvement in the gross profit to Rs 2.65 crore from Rs 2.61 crore in 1981. The Directors have provided Rs 77.19 lakh for depreciation (Rs 77.54 lakh), Rs 22 lakh for investment allowance reserve (Rs 21 lakh) and Rs 92 lakh for taxation (Rs 95 lakh). The proposed dividend will absorb Rs 53.07 lakh (Rs 50.08 lakh) and the general reserve gets Rs 22 lakh (Rs 15 lakh), leaving a sum of Rs 4.04 lakh to be carried forward against Rs 4.70 lakh brought in.

The Directors state that the working of cement division was marked by steep increases in costs eroding altogether its profitability. However, with the improved performance of asbestos division, the working results for 1982 could be maintained at the previous year's levels.

The production of cement in 1981 was 894,000 tonnes against 897,000 tonnes and of asbestos 76,829 tonnes against 71,987 tonnes. Sales of cement amounted to Rs 32.89 crore (Rs 31.16 crore) and those of asbestos products to Rs 21.99 crore (Rs 18.49 crore).

Prakash Tubes to Enter Capital Market

Prakash Tubes, which is entering the capital market on June 9 with a public issue of 10.50 lakh equity shares of Rs 10 each at par, expects to pay a minimum equity dividend of 10 per cent on the enlarged capital for the current year ending March 31, 1982. The new shares now being offered to the public will rank pro-rata divider for 1982-83.

According to Mr B.I Agarwal, Managing Directo the company would pay dividend higher than 10 p cent from the next year.

The company has achieve a turn-over of Rs 16 crore an earned gross profit of abo Rs 60 lakh for 1981-8 against sales of Rs 6.7 crore and gross profit of R 29.27 lakh for the previou year. Its sales are expected t exceed Rs 20 crore in the cu rent year.

The company's new ga vansing plant has already com menced production sinc March last and this shoul raise further its profitabilit

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NOTICE

(Under Rule 4A of MRTP Rules, 1970)

It is hereby notified for the information of the public that Rajasthan Spinning & Weaving Mills Ltd., proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval for the establishment of a new undertaking for the production, supply, distribution or control of Manufacture and sale of cotton yarn with 25,000 spindles and an annual turnover of Rs 700 lakhs. Other particulars of the proposed new undertaking are as under :

(i) Name of the proposed undertaking :

—The proposed undertaking will be a unit of RAJASTHAN SPINNING & WEAVING MILLS LTD.

Regd. Office : Bhilwara Bhawan
40-41, Community Centre
New Friends Colony
New Delhi 110 065

(ii) Names of person(s) or authority/authorities proposing to establish the new undertaking. Where it is a body Corporate, furnish details of its management structure together with those of the proposed undertaking :

—RAJASTHAN SPINNING & WEAVING MILLS LTD.

BOARD OF DIRECTORS

1. Shri L.N. Jhunjhunwala	Chairman and Managing Director
2. Shri C.D. Khanna	Director
3. Shri T.M. Sen	Director
4. Shri Satish J. Mehta	Director
5. Shri Bhaskar H. Kakatkar	Director
6. Shri P.N. Churiwala	Director
7. Shri Amitav Kothari	Director
8. Shri Ashvin C. Dalal	Director
9. Shri Ravi Jhunjhunwala	Director
10. Shri V.P. Kamath	Director
11. Shri G.S. Pande	Director
12. Shri R.L. Mishra	Director

(iii) Capital structure of the applicant person or authorit and of the proposed undertaking :

	Rs
Authorised	
65,00,000 Equity Shares of Rs 10/- each	6,50,00,0
1,00,000 Redeemable Cumulative Preference Shares of Rs 100/- each	1,00,00,0
	7,50,00,0
Issued, Subscribed and Paid up	
30,49,593 Equity Shares of Rs 10/- each	3,04,95,9
30,000 Redeemable Cumulative Preference Shares of Rs 100/- each	30,00,0
	3,34,95,9

(iv) Proposed location of the new undertaking :

—KANGRA DISTRICT (HIMACHAL PRADESH)

(v) Brief outline of the cost of project, the scheme ar source of finance :

—The estimated cost of project will be Rs 13.00 cror comprising of the following :

—Land Rs 0.08 crs, Building Rs 1.50 crs, Plant & Mach nery, Utilities, Servicing Machines etc. Rs 9.00 cr Preliminary and Promotional expenses including initi training expenses Rs 0.67 crs, Contingencies Rs 1. crs, Margin Money for Working Capital Rs 0.69 crs

It is proposed to finance the project as follows :

—20% by the Applicant Company and interconnect undertakings as Equity Capital.

—13% as Public Equity Issue.

—67% from Long Term Debts.

Any person interested in the matter may make a represent tion to the Secretary, Department of Company Affairs, Gover ment of India, Shastri Bhawan, New Delhi, within 14 days fro the date of publication of this notice, intimating his views the proposal and indicating the nature of his interest therein.

Sd/-
L.N. JHUNJHUNWALA
CHAIRMAN AND MANAGING DIRECTO

Date: 26.5.1982

eastern
ECONOMIST

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This Week

June 2

The Bokaro Steel Plant has produced 117,195 tonnes of saleable steel during the last month which is the highest ever recorded in any month of May since the inception of the plant.

A high level railway delegation, led by the Chairman of Railway Board, Mr M.S. Gujral, is visiting China to explore areas of bilateral cooperation.

The price of gold, for the purpose of the scheme for export of gold jewellery against gold supplied by the foreign buyers, has been reduced to Rs 1,056 per 10 grams (equivalent of $345.50 per troy ounce) for June.

June 3

The Government has, with a view to promoting the growth of the thermosetting resins and engineering plastics industry, reduced the Central excise duty on 16 items to 15.75 per cent ad valorem.

The Government has decided to allow the transfer of the past performance quotas held by exporters for knitted items to powerloom and handloom categories subject to certain conditions.

Some 20 people were feared killed in Cuttack district in the severe cyclonic storm which ripped through the South Orissa coast.

June 4

The Union Minister for Industry, Steel and Mines, Mr Narayan Dutt Tiwari, asked the paper industry to increase capacity utilisation, reduce wastage of raw materials and energy and bring down cost of production by induction of appropriate technology that does not require a hefty dose of capital investment.

June 5

29 JUN 1982
C.F.T.R.I. MYSORE

Argentine bombers pounded British troops laying siege to the Falkland Islands' capital of Port Stanley and returned unchallenged, Argentine officials claim.

The official wholesale price index for all commodities, base 1970-71, rose for the fourth successive week and stood at 278.9 during the week ended May 22 against 277.7 for the previous week.

June 6

Israeli tanks and troops invaded Lebanon behind a screen of bombing jets and shelling gunships and Yasser Arafat's Palestine Liberation Organisation (PLO) vowed a "fight unto death" to defend its main West Asian power base.

The former Karnataka Chief Minister, Mr D. Devaraj Urs, died of a massive heart attack.

June 7

The Reserve Bank of India has announced further liberalisation of its credit policy by bringing down the cash reserve ratio (CRR) of banks from 7.25 per cent to seven per cent. The new norm will come into force from June 11.

The US has joined a unanimous demand by the UN Security Council that Israel withdraw all its military forces forthwith and unconditionally from Lebanon.

The Government has decided to set up the eighth Finance Commission under the Chairmanship of the Congress(I) leader, Mr Y.B. Chavan.

The Soviet Union has agreed to assist India on a large scale for onshore exploration to make the country self-sufficient in oil.

June 8

Israeli troops reached within 40 km of Beirut as the Israeli invasion of Lebanon entered its third day.

Argentina offered to withdraw its encircled troops from the Falkland Islands but said it would do so only if Britain did the same.

The Cabinet Committee on Economic Affairs approved four proposals for raising the production of coking and non-coking coal with a total capital outlay of Rs 192.50 crores.

Credit Liberalisation

IN LESS than two months, credit policy has been liberalised for the second time. With effect from April 9, the cash reserve ratio (CRR) of commercial banks was reduced from 7.75 to 7.25 per cent. The cut in the CRR on non-resident deposits was even more pronounced—from 7.75 to three per cent. (A few days earlier, the envisaged increase in the CRR to eight per cent, in terms of tighter credit policy followed during the second half of 1981-82, had been shelved). Simultaneously, the refinance facilities for food credit were liberalised from 30 to 50 per cent in excess of Rs 2,200 crores and to 100 per cent in case this credit exceeded Rs 2,800 crores. On June 7, the Reserve Bank announced that the CRR would be brought down, with effect from June 11, to seven per cent and 100 per cent refinance would be made available in the case of food credit exceeding Rs 2,600 crores. The liberalised refinance arrangement for food credit came in force with immediate effect, i.e. on June 7, and is to remain operative for the current rabi season till the end of September.

Whereas the net effect of the April 7 measures was the augmenting of credit facilities by around Rs 610 crores, of which Rs 410 crores was to be in the case of non-food credit, the latest announcement is expected to increase the lendable resources of banks by Rs 110 crores. Part of this sum, of course, will be consumed by food credit for this type of credit had increased to only Rs 2,200 crores till lately. Yet the situation for the non-food sector should improve in the near future as a sequel to the lowering of the limit for 100 per cent refinance of food credit from Rs 2,800 crores to Rs 2,600 crores. This level can be expected to be reached soon following the marked pick up in rabi procurement. By Tuesday the purchases of wheat on Government account at over 6.14 million tonnes had exceeded the last year's procurement till then by about 4.5 lakh tonnes. With arrivals, particularly in Punjab, continuing to be substantial, it is expected that the total procurement of wheat this year would surpass the last year's level of 6.587 million tonnes by comfortable margin.

Much more significantly, the Reserve Bank has asked commercial banks to remove all across-the-board cuts in limits wherever they are still continuing and restore the normal sanctioning powers of their branch/regional/zonal managers in respect of credit to the priority sectors. Banks have also been advised to meet fully the current credit requirements of seasonal nature and to provide greater credit to those sectors of industry where special difficulties are being experienced or are likely to be felt. Restrictions on acceptance of new accounts too have been removed.

This, presumably, has been done following some improvement in the growth of deposits. Whereas the increase in deposits during the terminal quarter of 1981-82 had been just marginal from Rs 43,416 crores in January to Rs 43,750 crores in March, the growth rate has picked up subsequently: by May 14, deposits had gone up to Rs 45,652 crores. With the sizeable increase in developmental expenditure, the procurement operations gathering momentum, putting substantial funds into the hands of agriculturists, and the lure for investments in debentures of companies wearing off, the growth in deposits should quicken now, though part of the additional funds with investors might go into company deposits. The marked deceleration in the growth of deposits in the second half of 1981-82, despite substantial increase in the Plan outlay, indeed, was an intriguing phenomenon, although it was partly attributed to greater canalisation of resources to the corporate sector in the form of deposits or subscriptions to equity and debentures. Possibly, the high rate of inflation was also responsible for this. The situation appears to have materially changed now, even though some increase has been witnessed in the wholesale prices index during the past four weeks.

Though welcome, this second credit de-squeeze, however, not be expected to fully meet the requirements. The essionary tendencies in several sectors of industry are pening, the particularly hit being the engineering units oducing commercial vehicles, tractors, pumpsets, refriation and air-conditioning equipment and various other nsumer durables. The textile labour strike has impaired at industry's financial position greatly. Sugar output is ely to exceed eight million tonnes. Then the increased edit needs, arising out of the designation of the current year the year of productivity, have to be catered for.

The solution to the travails of some industries affected by cession, of course, lies elsewhere. Yet the need for further edit liberalisation for legitimate production purposes need ot be frowned upon. Expansion in credit unrelated to production trends and for hoarding and undue inventory build-up has to be avoided, lest it should fuel inflationary tendencies. But starving industries of credit for production too will accentuate inflation. The endeavours at containing the prices spiral, admittedly, have to be continued. The strategy has to be augmenting of supplies and curtailment of unproductive expenditure. Credit curbs are needed for the latter and not for the former. The resilience shown by the Reserve Bank in making adjustments in the credit policy evokes optimism that it will not be found wanting in this respect in the future as well. It is, however, too much to expect complete abandonment of the tight credit policy as long as there is danger of re-emergence of any serious inflationary trends.

The Oil Front

ELF-SUFFICIENCY in oil in the foreseeable future is out of the uestion notwithstanding the massive development programmes hat have been undertaken in the recent past both offshore and nshore. Yet three developments during the last few days hould provide stimulus to oil exploration as well as production hich should go some way in containing imports in the next ew years. This year imports are expected to be around 14.5 illion tonnes of crude oil and six million tonnes of refined roducts. The domestic production of crude oil is anticipated o be between 20.5 and 21 million tonnes. By the end of the urrent Plan period, production is targetted to be raised to 0 million tonnes, an overwhelming proportion of the incremental output accruing from the offshore Bombay High. This ill mean that nearly 65 per cent of the then requirements of etroleum products will be met from indigenous sources. This roportion may even go up to 70 per cent with some slight luck.

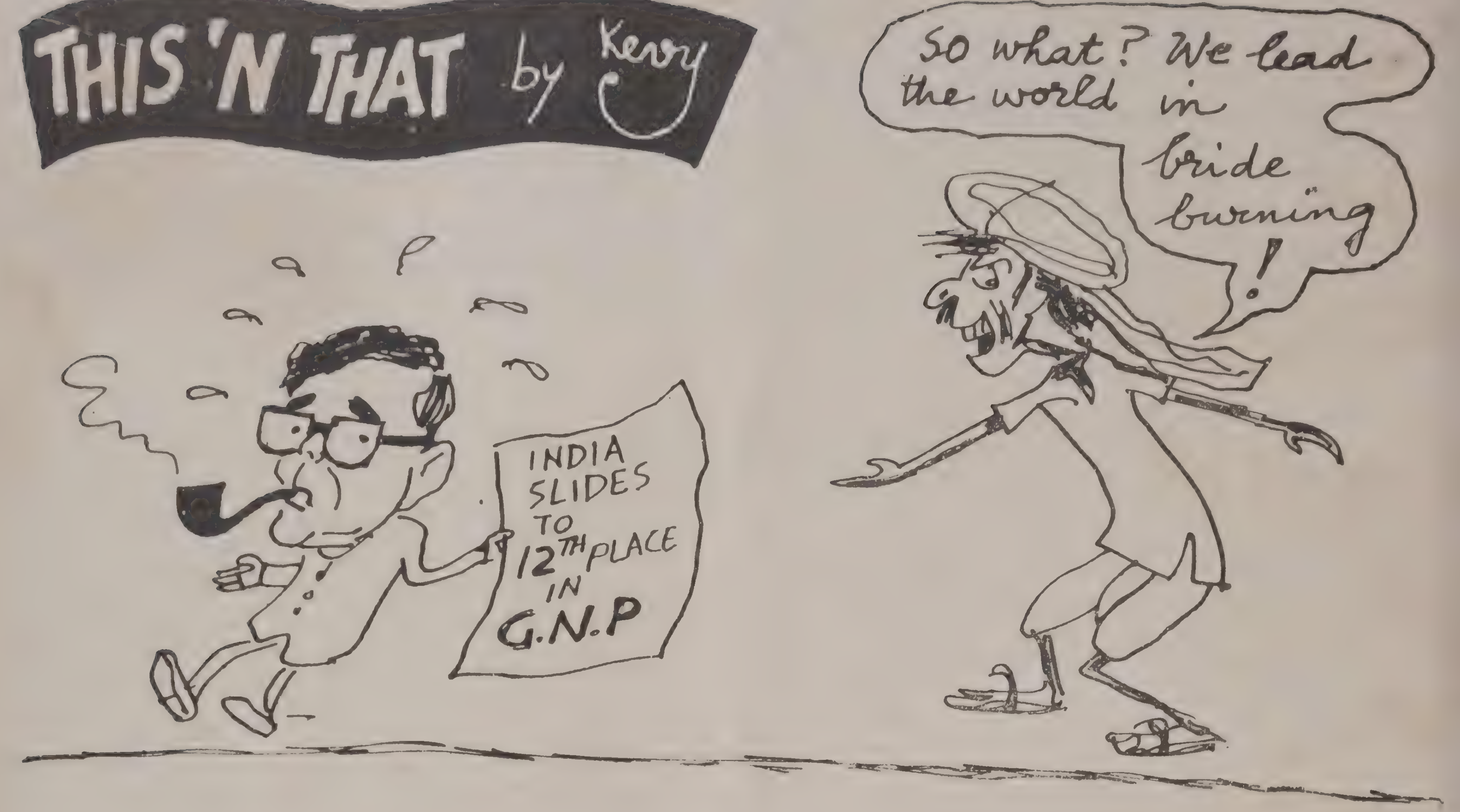
A significant development in this respect has been that oil and gas have been struck a few days ago in the third well drilled in the B-57 structure, 35 Kms east of Bombay High, the rate of oil flow being 2000/3000 barrels a day, much better than the flow in the first well drilled here in September last. The second well in this structure had to be abandoned as a sequel to its bottom portion collapsing, making further drilling impossible. The fourth exploratory well is to be drilled after the monsoons. The discovery of oil and gas in both the completed wells has evoked hopes of B-57 proving to be a very significant field. Oil was also struck recently in the Palk Straits area. The interim arrangements made for tapping oil from both B-57 and Palk Straits areas, indeed, can help in improving domestic output significantly beyond the target of 30 million tonnes by 1984-85.

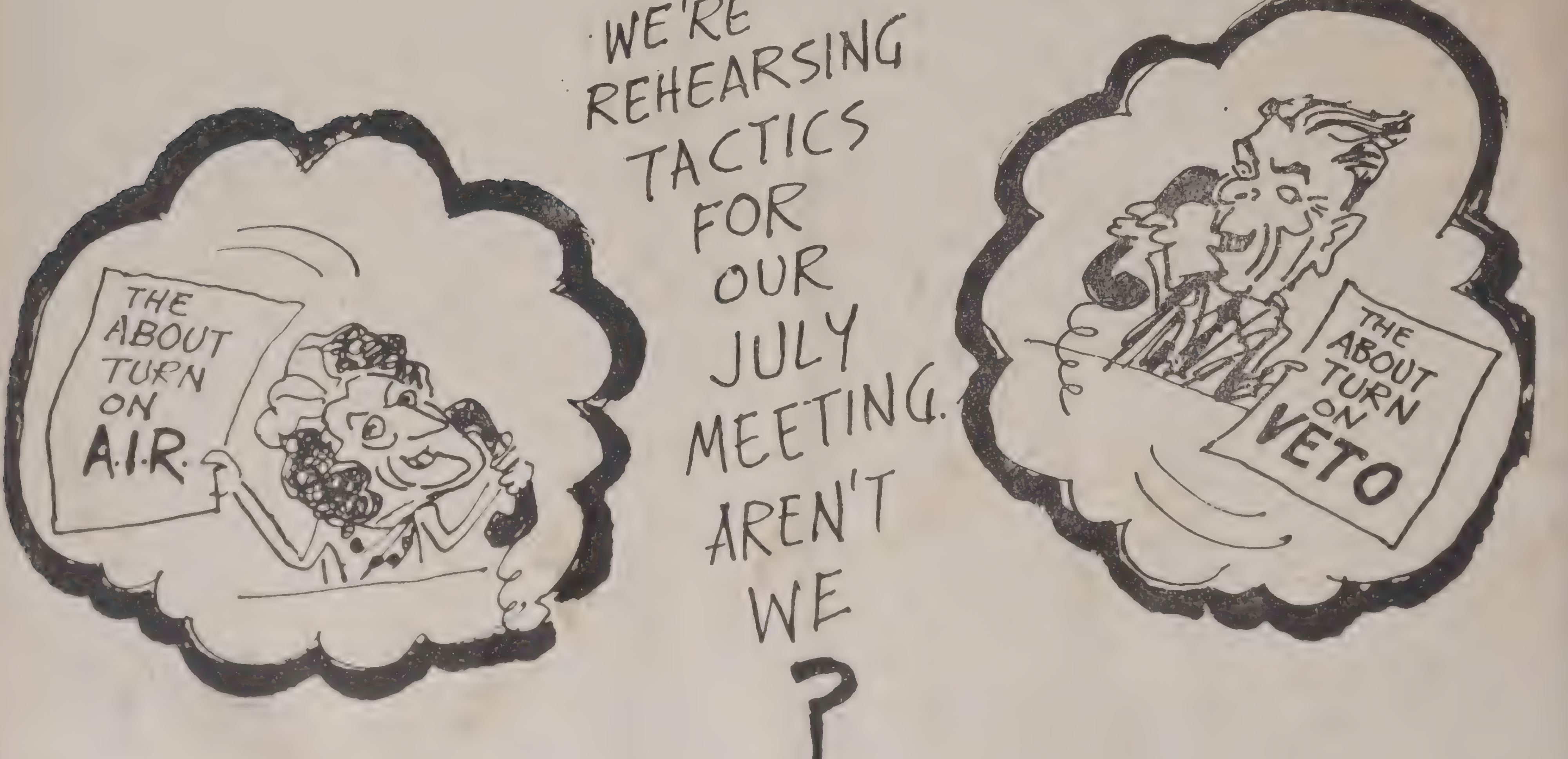
The second development has been the successful talks by the Union Minister for Petroleum, Mr P. Shiv Shankar, in the Soviet Union as a result of which a number of contracts are to be signed shortly with the USSR, to expand onshore exploration as well as revive the sick wells in Gujarat. The Soviet Union has promised assistance in upgrading our oil technology, recovery of oil from the old wells and conducting of seismic surveys and drilling in West Bengal.

The Soviet experts have been of the opinion that West Bengal is a very promising area for finding hydrocarbons. Exploration in Rajaghat, Jagli and Krishnanagar areas is to be speeded up following the understanding reached. In the Bodra area of West Bengal, Soviet experts will be assisting in carrying out seismic survey and later in the drilling of wells. The Soviet Union is already assisting in reactivating over 100 sick wells in Gujarat. It has promised assistance also for stimulating idle and low-production wells, besides reactivisation of some more sick wells. Mechanised lifting of oil from such wells is a new technique to be adopted. Another important project to be taken up by Soviet experts under the new understanding will be interpretation of seismic data collected by the Oil and Natural Gas Commission in different parts of the country, the idea being to reassess oil and gas prospects, particularly in Gujarat, the Himalayan foothills and the Krishna and Cauvery basins.

The third development concerns inviting of foreign oil companies for exploration offshore. Such a bid was made over a year ago. Though the initial response to it was quite promising, it resulted in only one contract being awarded to the US concern Chevron for exploration in the Saurashtra region. In pursuance of the declaration that the blocks to be thrown open to foreign oil companies will be restructured to suit their requirements, the work of restructuring has been nearly completed. Global tenders for the reorganised blocks are expected to be floated this month. The areas where the ONGC and Oil India are already operating, of course, are not to be made available to foreign companies. It is expected that the response this year will be better, especially after striking oil in Palk Straits which area was included in the first bid but not taken up by any company. Meanwhile, Oil India is accelerating its exploration endeavours in the Mahanadi delta, both onshore and offshore. The prospects of finding oil here, on current reckening, are rated high.

THIS 'N THAT by Kevy


INDIA SLIDES TO 12TH PLACE IN G.N.P
So what? We lead the world in bride burning!


THE ABOUT TURN ON A.I.R.
WE'RE REHEARSING TACTICS FOR OUR JULY MEETING. AREN'T WE?
THE ABOUT TURN ON VETO

Economic Planning in the Vibrant Third World—II

Dr. S. K. Ray

LANNING AT the take-off stage in most of he Third World economies has suffered rom a few conceptual and management imitations, and it is now easier to take look-back from the pillion and be wiser y the experience of others.

The most obvious factor has been limited availability or absence of practical economists and technocrats and a surfeit of service-bureaucrats, who had taken over 'the reins of the economy' after the expiry of the dark age of colonial exploitation. The principal inability of the latter has been the general incapacity to look beyond their nose in a cobweb of archaic rules and regulations with which they tied themselves and the economy in the red-tape of officialdom.

To all intents and purposes, this is what appears to have happened in post-independence Zaire and Sri Lanka, and to a large extent, in the case of the Indian Leviathan.

Some of these economies have ever since (over a period of two and half decades) bred their own fleet of economists, specialists and technocrats, at considerable pain, expense and privation, even with external assistance. Paradoxically, however, most of these countries have not been able to throw off the red tape, the officialdom and the rule of law administered by the service-bureaucracy, which refuse, even in the succeeding generation, to lay down the reins.

Playing Second Fiddle

Apparently, from a comfortably entrenched position of strength, hand in glove with political pressure groups, the service-bureaucracy continues to make the economists, specialists and technocrats to play second fiddle. The planning process, therefore, goes on to suffer from the predictable lack of imagination and trust.

Planning in the Third World suffered also because of inadequate domestic mobilisation of resources to finance the planned programmes. Eyes were cast in on the distant horizons, but there was inadequate mobilisation of plan-finance as also of other factors, inclusive of labour and entrepreneurship in most of these countries.

It is not that, even though the multitude has been languishing behind the poverty line, there is not enough investible surplus available in many of these countries. But these resources, as typical of a hoary and in some senses antiquated economy, would be reluctant to come out in the open and get channelled in the investment-programmes under organised State planning.

India and Indonesia provide two typical instances. It is generally believed that these countries are two of the world largest repositories of gold, silver, diamonds and precious stones, but as if to establish the relevance of Keynes' concept to the economies of the Third World, such investible surplus would rather remain in hoarding than be syphoned into investment.

Parallel Economy

To cap it all, in most of these economies, a raging parallel economy holds innumerable wealth in its folds and works in open competition with the official economy. It is often lamented in the context of the Indian situation that the hoards of black money lying in the shade in the parallel economy would have perhaps seen India through several successive Five-Year Plans, without involving the country into enormous international debt-servicing and domestic deficit financing.

In fact, in a way, these are the twin factors that a Third-World economy has to be wary about while embarking on and progressing organised national economic planning.

There are two kinds of economic developments—one is from within and another is from without. A Third World country, Ghana or Pakistan or Zambia for instance, very frequently elects to start somewhat in the midway and elects to import hardware along with both finance and technology from abroad. Very often, in this kind of development, there are hidden strings not evident in the beginning, and by the time the strings make themselves manifest, it may be rather too late in the day to pull out of the bargain, which rather settles down to perpetuate itself. This phenomenon had made itself manifest in a number of third-world economies when they first embarked upon economic planning for development.

Typical Example

One typical instance is the import of a package of railway diesel-electric or electric locomotives by a number of African countries, Nigeria, Zaire, Sudan, Ghana, Mozambique, you name it, and may be even Bangladesh or Thailand, where along with the import of locomotives, adequate provisions of spares and inventory for maintenance or expertise for upkeep were not always instituted nor was any import-substitution scheme (as in case of India), launched and progressed. As a result, even before the locomotives ran out of their codal life, they were to be discarded, and the country in many cases had to enter into fresh obligations on yet another package programme, carrying forward, alongside, the remaining obligations on the previous packages. The artifice of arm-twisting that is done in such international deals of assistance is today becoming painfully frequent in the Third World.

When, therefore, the development planning in a Third World economy is based on borrowed money, expertise and technology, all the time, without simultaneously building up within the economy itself adequate provisions to very soon throw up the requisite arsenals and resources of development, the country is certainly going to be on borrowed time.

Very soon, for the same kind of international arm-twisting as had been evident in case of the locomotive deals, once the props of external participatory aids, in both hardware and software, are withdrawn, the period plan itself flounders and the economy collapses back to fundamental disequilibrium or a low-key equilibrium.

For apparent reasons, this phenomenon is very often accompanied by political instability or upheavals. Uganda and Bangladesh in recent times are two such instances that would leap to imagination.

With further evolution of economic planning in the Third World, there has been some marginal increase in the rate of growth of the Gross National Product in many of these countries. But, then, hosts of delimiting characteristics or repercussions have made themselves manifest, and the countries have become so much hide-bound and ridden by antiquated traditions that they find themselves frequently unable to get out of the said inconsistencies.

Subterranean Involvement

Because, behind each such incongruity, there is the direct or subterranean involvement of pressure groups, be they academicians or theorists, operators of the money market or investment-institutions, international aid-givers and package-programme deliverers, and more than most in South East Asia and New Africa, also the labyrinthine and draconian bureaucracy, planning commissions and Government departments. These sources find it to their interest that economic planning is staged on a rather grand scale, so that they continue to be the beneficiaries of the fall-outs, regardless of the deleterious effects to the economy in the shape of a galloping inflation largely offsetting the fruits of economic growth and the creeping structural disequilibrium in the economy.

One major inconsistency is the rather colossal dimension of projected investment, regardless of the potential of mobilisation of investible surplus. In regard to the Bombay Plan of India, frequently referred to as a typical example of kite-flying in economic planning, raising of finance did not appear to have bothered the authors of the plan overmuch and they just allocated the responsibility of raising the required plan-finance (£7,500 millions) to different grooves of the economy (e.g. hoarded wealth, sterling securities, exchange surplus, foreign borrowing and, finally, internal finance comprising savings and 'created money') in proportions they had deemed fit.

Micawbarish Optimism

This type of optimism in raising of investible surplus has been evident in the later Five-Year Plans of India, third, fourth, fifth and sixth, even in bolder relief. The situation was not, however, unique to India, and from Pakistan to Nigeria, Zaire to Argentina, it is our opinion that there has perhaps been, (to cite a parallel from *David Copperfield* by Charles Dickens), a rather Micawbarish over-optimism that 'something would finally turn up' and this approach had prompted the developing economies to take to economic planning 'with pomp and splendour'.

Coming back to Indian planning, the planners were perhaps increasingly taking recourse to the easy way out, as will be evident from a scrutiny of the plan-finance for the first six odd Five-Year Plans of India. The planners found two milch cows, international borrowing and deficit financing as the principal siphons. These siphons have provided capital, over the years, on both soft and rigid terms, and rather regardless of consequences.

Today, in the early Eighties, the aggregate international debt stand at a staggering level, not only to international institutions like the World Bank et al, Aid India Consortium and individual lending countries like the USA, West Germany, France, Canada and others, and though the saying going round the corridors of the World Bank and International Development Agency in Washington DC is that seldom does any of their loans contracted with India go sour, it is staggering to contemplate how, and as what cost to the exchange-counter and the economy, is India ever going to be finally rid of these international burdens of debts.

It is very seldom that a country can perhaps take to such precipitate steps as unilateral write-offs as Nasser did in Egypt. Meanwhile, international borrowing for raising plan-finance keeps on catapulting in many countries of the Third World and these countries are increasingly getting submerged in snowballing obligations of international debt-servicing. This has happened in the entire Indian subcontinent, in many other countries of the Middle East, as also in the New African economies, and to some extent in some of the Latin American countries. Even when some countries have taken non-repayable aids, as some Latin American and New African countries, the same was actually the thin end of the wedge, because these free aids were counterbalanced by much heavier repayable loans.

Over-Emphasis on Investment

The phenomenon of investment-orientation in planning is not unique to India or the Third World. In the economic planning of almost all countries, including the European mainland and the British Isles, "this common 'over emphasis' on investment, characteristic of virtually every country in the world, tended to keep consumption down, to raise prices, and, through the direct impact on imports and the higher prices of exports, aggravate the balance of payment problems."

Investment-oriented planning is all right, when there is investible surplus to support it within the economy. This has by and large not been the case for most of the Third World countries. These countries have been going around as 'the mendicant', asking for more and more aid-packages from the USA, West Germany, the oil countries, the international financial institutions, the whole gamut, and have in the process achieved 'economic development of sorts' at the cost of inflation and exchange-runs, and as little or no serious effort was simultaneously made to spread out the gains of growth, the phenomenon of growth itself having thrown up greater ranges of inequities.

Way back in 1947, the Department of Economic Affairs of the United Nations published a research volume entitled *Economic Development in Selected Countries : Plans and Programmes*. This book probed the economic plans of India, the Middle East, the new African

The caterpillar in the teacup

'Oh' said the princess. 'What's this in my tea?' Floating there in her exquisite china teacup was a piece of yellow fluff that had fallen off the bough of a tree. And as she watched spellbound in the wonder of it all, gossamer fine threads of a brilliant lustre magically began to unravel from it.

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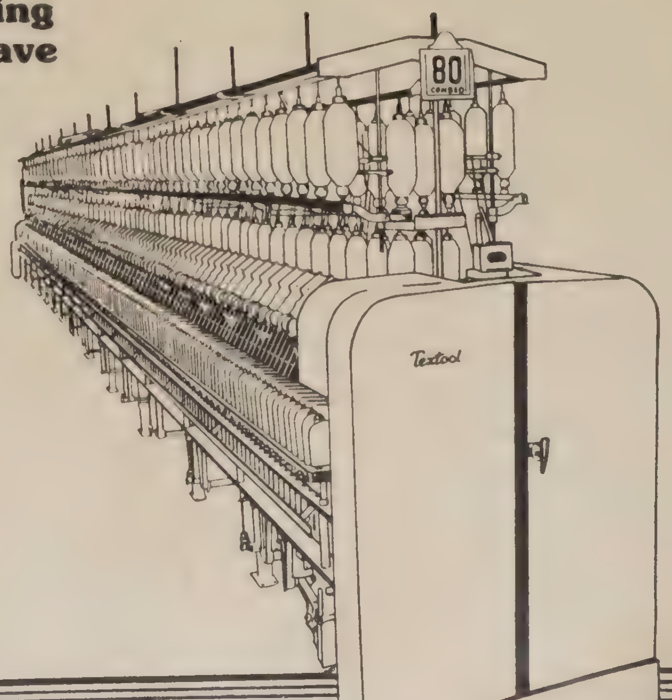

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countries, Latin America and East Europe. A study of this volume indicated that in these parts of the world, a growing 'tendency to support investment and industrialisation programmes not likely to fully or largely materialise in view of current capital shortage', and perhaps with the solitary exception of the 'comprehensive Argentina Plan', an 'increased emphasis on investment and nationalisation as the usual pattern' was evident almost everywhere.

Now, this was the situation in 1947. What, however, the United Nations perceived and predicted has materialised almost like an oracle. All these countries are today chasing the spiralling pressures of inflation and population, which have virtually eroded the real value of economic growth achieved by decades of national economic planning. Again to refer to India, in early-1982, while inflation has nearly caught on the multiplier, population has doubled itself in thirty years, the rate of economic growth, let us hope, is at least five per cent, inadequacy of national statistics notwithstanding. The real value of the much-talked-about five to seven per cent is even less, as a matter of fact.

Cost of Development

Another thing that has happened relates to this matter of the cost of development itself. With the growing volumes of deficit budgeting, greater emphasis on the generation of capital goods rather than consumption goods and spiralling econo-political thrusts on wages, there are continued inflationary pressures being exerted on all these plan-oriented economies of the Third World.

What, however, needs to be emphasised in the present context is that the over-emphasis on investment in accelerated industrialisation in the Third World has also certainly resulted in jacking up the costs of development.

As the capital cover, inclusive of deficit financing, is being spread around thinly over a very large number of major projects, in order to satisfy sectoral, regional and even departmental interests, the life-span of all individual projects is taking pitifully as also uneconomically longer periods, so that with inflationary rises in prices and costs, all the projects are taking much longer time to be completed, with lesser returns on investments in the interregnum, giving rise to a host of wastages on such investment, and also adding up to the oncosts and overheads of planning.

It is now apparent that in most of the countries in the Third World, after deliverance from the colonial rule and adoption of centralised economic planning, there is a clear-cut emergence of the public sector functioning as a vehicle of development. The concept, by and large, seems to have been borrowed from the French Monnet concept of the basic-sectors planning, and these basic or core sectors have increasingly been taken over by the State in most of the developing economies, and the planning and execution of the development in these sectors have been handed over to the care of the State or public sector, generally. This trend is unmistakable and clearly establishes a pattern for the coming decades.

State Participation

The direct participation of the State in economic development in expanding dimensions is no more unique to the developed economies of the world or the totalitarian economies. As a sequel to the adoption of formal economic planning, this has also come about in increasing measure in the developing countries. It is not that it has come about only in a single country, or in isolated economic sectors. The movement today is not only persistent but also extensive, so much so that it is no more possible to attribute it to the belief of only 'a few cloistered theorists or reformers'. It is today a distinct infrastructure of the economy in India as in many other countries of the Third World.

The movement started with railroads and airways and has progressed to sweep over the steel plants, coal mining and oil refining to manufacture of aircraft and railway locomotives. Every year, with every new budget, the public sector is not just inching forward, it is more or less checkmating, as if in a game of chess, over more and more areas, the possible expansion of the private sector, at least in the assigned and allied areas.

Nationalisation is the hand-maiden of the public sector. In order to vindicate themselves and the long-range manifesto-pledges of the Governments that came into power in the Third World, more and more economic activities have been brought under the state sector. The process started with a steady programme of indigenisation of both capital and management of big corporations and monopoly or international groups. While it may be in keeping with the aspirations of the people, it is not always that this has invariably led to the good of the economy.

Common Ills

Some of the Third World countries, India certainly for one and Brazil or Korea for another, have rather done well in this regard, except for giving rise to certain ills of the public sector being managed by service-bureaucracy. In certain countries, this policy has brought about a serious stalemate or slide-down of the economy, as the state had not, before nationalisation or take-over or indigenisation, or by whatever aphorism it might have been called, taken care to build up the requisite managerial competence and adroitness in financial skill and technology.

This trend in its ultimate form had led Idi Amin's Uganda to economic ruin. The railroad infrastructure in some of the new African countries like Nigeria. Ghana, Zaire and Mozambique would also appear to have been struck with immobility and stagnation, until, after having reckoned with the writiugs on the wall, many of these countries are successfully trying to bail themselves out of the morass by importing both managerial cover and technology, besides finance. The success of the Nigerian experience has given this trend, which does not appear to have bound itself with strings, a shot in the arm.

In such consultancy and participatory management, almost all developed countries of the world, the USA, the USSR, the UK, France, West Germany, Canada and Japan, have been engaging themselves in different countries of the world. From the Third World itself, however, India has mads its presence felt with distinction, particularly in South East Asia and the New Africa.

It is necessary to chronicle two important factors at this stage. One is the question of profitability from the lack of which many of the public sector projects appear to get afflicted, sooner than later. This is what has happened with many of the premier public sector undertakings in Indonesia, Nigeria and Brazil, India, Bangladesh and Thailand, among others.

All the bindings of the red tape and influences of Mr Parkinson, the hegemony of the service-bureaucracy, which would make economists, specialists and technologists to play second fiddle in the task of economic development, the extortionist expansionism of militant trade unions, and finally, an ostrich-like abhorrence to derive and sustain the economies of scale, have been some of the principal factors eroding the viability of many of the public sector projects in the Third World countries, India inclusive. The oncost to the economy is proving enormous and detrimental to the cause of economic growth itself in such economies. Therefore, due importance need be given to one of the vital considerations of the Monnet concept of planning —profitability.

It appears that even though the new thrust to development under economic planning has in most cases been modelled after the Monnet Plan of core-sector development, the countries of the Third World should now review the steps so far taken and reorganise their programmes on economic planning and revamp the areas of slack and stagnation in the economy.

The mad race for over-investment, with reckless international borrowing and yawning deficit financing, soon enough proves to be counter-productive to the economy and this matter needs to be considered seriously.

Equally important it is to have a duly rationalised balance between state programming and private entreprenurship, not to altogether eschew the canons of competition and free market economics, while at the same time to underwrite the over-riding principles of productivity and profitability. There is plenty of good sense behind the latest conceptual pragmatism in the context of the revival of the British economy mainly on the basis of profitability to the unit and viability to the country and this concept perhaps could be extended with advantage in further evolution of economic planning in the Third World.

Other factors to be taken care of are that neither the authoritarianism of the State, nor the militancy of organised trade unionism should take Frankensteinian proportions, and the overall interests of balanced economic growth should not be subjugated to sectoral or partisan interests.

Finally, spreading out the Net National Product to the multitude, on the other side of the poverty divide, and optimising the contribution of the individual to economic growth, are matters relevant to equity in income-distribution and optimisation in human engineering, effective strategies for which the State has to devise and enforce.

(*Concluded*)

Environment of Survival

B. B. Vohra

Ten years after Stockholm, it is clear that concern for the environment is not the luxury of the rich it was once thought to be, but a question of survival for the poorest countries, says the Chairman of India's National Committee on Environmental Planning.

IT IS time, ten years after the Stockholm Conference, to consider what should be actually done about the environment apart from merely talking about it in rather vague terms in one seminar after another.

This question is of particular relevance to developing countries which find themselves enmeshed in a vicious circle of poverty, over-population, environmental degradation and disease. This is a vicious circle which can never be broken unless sufficient attention is paid to the improvement of the environment. This might sound paradoxical, for there is, indeed, a popular misconception that environmental protection is a luxury which only the rich countries can afford. However, a little reflection will show that the improvement of the environment is not only not a luxury but a dire necessity for poor countries.

It may be recalled that, in the years immediately after Stockholm, much of the environmental literature which came to us from the West laid great stress on the need to control industrial pollution and to preserve certain threatened species of flora and fauna. Most people in the developing countries thought, however, that neither of these objectives was a matter of any great urgency for them. It was suspected that over-emphasis on pollution control might have the unforeseen effect of slowing down the pace of industrialisation, and that we should start bothering about this problem only after a certain amount of industrialisation had taken place, as, in fact, had happened in the West.

As regards the conservation of wildlife, this, too, was not considered to be a frightfully urgent matter. This was partly due to the fact that the protagonists of wildlife protection usually belonged to elitist classes, whose concern for the vanishing tiger or rhino or whatever, contrasted sharply with their lack of interest in the plight of the common man. As a result, interest in these two causes remained more or less confined to a few and suffered from a lack of vitality.

However, with the passage of time, it has become increasingly clear that environmental problems in developing countries have certain dimensions of their own of which, for reasons which are perfectly easy to understand, the

West has little or no idea. What is more, these dimensions have such a vital bearing on the life and well-being of these countries that we can ignore them only at our peril.

The first set of such problems relates to the grave degradation which our land, soil and forest resources have suffered—and are continuing to suffer—on account of our failure to manage them properly. It is common knowledge that in almost all developing countries very extensive deforestation has occurred as a result of indiscriminate exploitation by commercial interests as well as of the excessive burden of human and animal populations. Denudation results in the erosion of the irreplaceable fertile topsoil and therefore, in a progressive loss of productivity in the affected lands.

Soil erosion also brings in its wake many other deleterious consequences of a most serious character. The premature siltation of multipurpose reservoirs involves serious loss of the irrigation, hydel and food control potential created at great cost by the community. In most cases this loss is of an irreparable nature because alternative sites for dams are just not available. The sedimentation of river beds results in disastrous floods year after year.

Serious Threat

An idea of how serious these threats are to the economy of developing countries may be obtained from the fact that in India an investment of over Rs 10,000 crores has been made in multi-purpose projects and large irrigation schemes, and that the annual toll taken by floods is of the order of Rs 1,000 crores. Again, the rapid run-off of rain water on denuded slopes means that a great deal of the priceless rain water which could have been stored as ground water is lost to the sea.

Denudation and soil erosion are thus the cause of floods as well as droughts. In arid areas, erosion caused by strong winds helps in the leeward creep of the desert and interferes seriously with communication and irrigation systems.

Another serious threat to our soil resources is represented by the waterlogging and salination which occurs in canal-irrigated areas with poor drainage, and which has turned the blessing of irrigation into a curse over millions of hectares in countries like India and Pakistan. So serious is this threat that in the world as a whole, as much irrigated land is going out of production every year as is being brought under fresh irrigation. The situation demands that the most vigorous action should be taken to prevent the waterlogging of newly irrigated areas and to reclaim those lands which have been already lost to production.

It will be readily appreciated that developing countries, which are primarily agricultural, just cannot afford to let their life support systems of land and water be damaged by denudation, erosion and waterlogging. Since population pressures keep growing and good agricultural lands are limited, we must also prevent the avoidable diversion of high-quality soils to urban uses. We must also zealously guard our intensively cropped and, therefore, most productive land against deterioration caused by nutrient depletion.

Grave Problem

The gravity of these problems is clear from the fact that in India fully one-third of all available land is suffering from almost total denudation. Another one-third is so badly degraded that it can be considered to be only partially productive. Quite obviously, there can be no future for developing countries unless they make the proper management of their natural resources the cornerstone of their environmental policies. It is high time we began to look at our problems through our own eyes and recognised that this is a matter, to quote Mrs Indira Gandhi, not merely of the environment but indeed of our very survival.

Another aspect of the environment which is of the most immediate relevance to us is the glaring lack of sanitation in almost all our towns and villages. Arrangements for the proper removal and disposal of human, animal and domestic wastes are abysmally poor, if not sometimes non-existent. It is well known that the open drains and the heaps of garbage and filth in ou so-called "human" settlements are th major cause of the very high level o morbidity that our people suffer from It is also known that in India untreate municipal and domestic wastes ar responsible for something like 9 per cent of the pollution in our rivers and that industrial pollutants are responsible only for the remaining 10 pe cent or so.

Lack of Drinking Water

The extremely insanitary conditions in which the bulk of our people live are compounded by the fact that very often they also do not have access to clean drinking water. Piped water is an exception rather than the rule, but even in towns like Delhi and Bombay, waterborne epidemics break out every now and then on account of the contamination of piped water by sewage.

Quite obviously, developing countries cannot afford the losses which occur in production, whether industrial or agricultural, on account of the ill-health caused by such conditions, particularly when their poulations are already undernourished and debilitated. The greatest environmental service that they can render to their human settlements is therefore to provide them with the minimum levels of sanitation and drinking water.

It may be mentioned in this connection that there is a nexus between ill-health and poverty, just as there is a nexus between poverty and population growth. There is also an obvious nexus between poverty and the degradation of the soil. The vicious circle in which we find ourselves today can and must be broken by a determinded effort to improve the productivity of our soils on the one hand and sanitation on the other. These objectives must therefore, form the core of any environmental strategy which developing countries draw up for themselves. The control of industrial pollution and the conservation of flora and fauna must also, of course, figure as the other main constituents of such strategies, the latter not for any merely sentimental reasons but because they represent irreplaceable genetic resources hich are Nature's gift to us and have role to play in her grand design of hich we may not even be aware today.

The adoption of clear-cut objectives emonstrably aimed at serving the ommon good will represent a great dvance for the environmental movement and invest it with the credibility it badly needs. The next step will be convince the powers that be as well s the man in the street that these objectives are worth striving for and indeed inescapable if we are to lift ourselves out of the morass of demoralising poverty, sickness, malnutrition and overpopulation.

An informed and articulate opinion is bounded, sooner or later—sooner, let us hope, than later—to result in the creation of the political will necessary to undertake the gigantic tasks that these objectives represent. It will also help to generate the active public support without which these objectives can never be achieved. For, what we must ultimately bring about is a mass movement for the "greening and cleaning" of our surroundings, so that at least our children and our children's children may live with self-respect and dignity in a land which our rapacity and indifference have despoiled and desecrated beyond description.

Clean Energy Growth

M. Dayal

Energy requirements of developing countries will grow enormously as they try to catch up with the others in economic development. Environmental considerations which have to inform plans to achieve such massive growth are looked at in this article by the Secretary of the Commission for Additional Sources of Energy of the Indian Department of Science and Technology.

SSUS OF ENERGY and environment in ractically all aspects of development ithin nations and of relations between em are now widely known. It is quite ear that the developing countries will eed a massive and growing supply of nergy for economic development, which crucial both for their well-being and r just and harmonious international lations.

The magnitude of their requirements an be gauged from the fact that the eveloping countries are today consuming only about 450 kg of coal-equivalent r capita of commercial energy as gainst the world average of more than ,000 kg per capita. At the same time, ne increases in the price of oil and problems of its availability are leading many ountries, both developing and industrialised, to switch to other energy sources, ich as coal, liquefied natural gas or uclear power. The challenge, therefore, to ensure that the increasing requirements of energy are met from non-oil urces without damage to the environment.

India, with its size and diversity, presents a case of special importance since ll types of energy sources are being used India and have to be developed for ptimally meeting different requirements. or bulk power and industrial uses, coal hydro and nuclear sources are essential. All of these have environmental ramifications. In coal-based energy plants (power and industrial boilers, for example), the environment has to be taken into account at the extraction, transport and generation stages. In the open-cast mining of coal, rehabilitation of the land is feasible and its cost low relative to the value of the coal mined. A proper understanding of the need for such rehabilitation can ensure that it is invariably done and preplanned.

A major problem with thermal power generation is that of air pollution by stack exhausts. It is necessary to lay down and enforce air quality standards. Setting of standards is difficult since scientific information about the effects of air pollution on human health is not adequate. In some countries, standards have been relaxed, for example the nitrogen oxide standard in Japan has been raised from 0.02 ppm to a range of 0.04 to 0.06 ppm because of a feeling that the latter levels may not be harmful to health whereas the cost of attaining the lower level would be extremely high. Similarly, in the USA, analysis of dose response data and costs of achieving more stringent standards has led to the raising of the ozone standard from 0.08 ppm (8 hours average) to 0.12 ppm.

This brings to us the need for proper evaluation of benefits and costs, even though rough approximations may be possible. In some cases, damage or loss of benefits may greatly exceed pollution control costs and also be large by themselves. In other cases the cost of pollution control may be substantial and yet achieve little additional benefit. However, such analysis can at least provide a basis for the choice of technology.

India adopted the National Air (Prevention and Control of Pollution) Act only in 1981. This Act vests authority in the Central and State Boards for prevention and control of water pollution set up under an Act of 1974. These Boards are preparing to lay down and enforce standards. The Indian Standards Institution has proposed standards for ambient air quality in respect of sulphur dioxide and particulate matters. Sulphur dioxide concentration in ambient air shall not exceed 60/ug/m^3 (0.023 ppm) as annual 24-hour arithmatic mean with 200/ug/m^3 (0.080 ppm) not to be exceeded more than two per cent of the time and not on two consecutive days in a year. The particulate matter in ambient air shall not exceed, as 24 hours' annual arithmetic mean 200/ug/Nm^3 in coastal areas; 300/ug/Nm^3 in inland areas; and 500/ug/Nm^3 in northern areas.

Normal particulate concentrations vary from 150 to 100/ug/m^3, that observed in coastal towns being up to 150/ug/m^3 ranging up to 250/ug/m^3 in inland areas and up to 500/ug/m^3 in the northern dust-storm-prone areas (except during dust-storms).

For emissions from thermal power plants, ISI has recommended for particulate matter limits ranging from 250 mg/Nm^3 for new pulverized coal-fired boilers in urban areas to 1,000 mg/Nm^3 for old stoker firing boilers. For sulphur dioxide, the recommended emission limit is 600 mg/j of energy produced.

One can see even without these figures how much needs to be done. Smoking chimneys are the general order, both in our urban and rural areas. Furthermore, emissions from automobiles, buses and trucks are visibly polluting urban areas in particular, and, in growing measure, the rural areas. This kind of pollution can and must be curbed. Reasonable air quality can be achieved with relatively modest addition or improvement to equipment and by better maintenance of equipment. In fact, air pollutants often result from incomplete combustion, and reducing emission will improve fuel efficiency. Thus, energy cost reduction and environmental quality can be had by the same action.

Improved Methods

New power plants, boilers and other energy conversion equipment can certainly be built to ensure maximum efficiency and to be pollution-free. Similarly, a major source of air pollution is the inefficient combustion of cooking fuel, both in the towns and the villages. Thus improved methods of using these fuels will make for both economy and a cleaner environment.

Apart from these considerations in the use of the principal fossil fuel used in India, coal, major attention needs to be given to increasing the use of renewable sources of energy such as hydro, solar, wind and biomass. These are all clean and non-polluting. The big hydro plants do, however, have a considerable environmental impact in view of the large areas of land and vegetation which they submerge. The ecological impact of some of these is not very well understood. Nevertheless, guidelines have been adopted by the National Committee for Environmental Protection for assessing environmental impact of such projects and for clearing them.

The smaller mini-hydel and micro-hydel, run-of-river, and canal plants do not suffer from this disadvantage. Furthermore they have fast gestation periods. Therefore, the benefits from such projects start flowing quicker and this itself should be a major objective in the drive for economic development. Thus, much greater attention needs to be given to such small hydro projects from the energy, economic and environmental points of view.

Renewable Forms

Similarly, solar and wind energy is clean and environmentally very acceptable. Biomass energy also, if used by modern methods, such as through fermentation, pyrolysis or modern efficient combustion, can be clean as well as efficient. For all these reasons, wherever possible, developing energy needs should be increasingly supplied by renewable forms of energy. These are particularly suited for decentralised application in the rural areas. Apart from being environmentally clean themselves, they also tend to assist environmental protection from another very important angle, i.e. reducing the pressure on wood as a source of fuel.

Cutting of wood for fuel, although not perhaps the major factor, is undoubtedly a contributor to denudation of forests, which in turn is bringing serious environmental consequences in a variety of ways, including erosion of soil, reduction in soil fertility, floods, siltation and desertification. The demand for fuel wood, which is the most important traditional source of energy for domestic use, has been growing much faster than its production.

It is estimated that against the present requirement of about 133 million tonnes of fuel wood per annum, the recorded annual production from forest land is only around 15 million tonnes. The current programmes envisaged under the Sixth Five Year Plan may further yield about 24 million tonnes per annum, still leaving a wide gap of more than 90 million tonnes per annum between supply and even the current level of consumption. This imbalance eats into the forest, in regard to which the situation has already been aggravated with the loss
more than four million hectares of for
land to agriculture and other develo
mental activities. Thus, urgent a
vigorous steps are needed to underta
a massive programme of fuel wood pla
tation while, at the same time, encoura
ing and widening the utilisation of oth
renewable forms of energy.

Considerable headway has been ma
in regard to these alternative sources
energy in India. Under programm
sponsored by the Commission for Add
tional Sources of Energy (CASE) a
other bodies, the technologies which ha
been developed to a stage where they ca
be widely spread include, apart fro
biogas plants, solar heating systems f
low and medium temperature applicatio
(including water heating system for rur
and industrial use), solar crop dryer
solar timber kilns, solar cookers, win
pumps and agro-waste utilisation plants.

Fiscal incentives have been announce
for increasing the production and utilisa
tion of these devices. CASE is also coo
dinating and accelerating the pace c
R&D in other technologies such as sola
photovoltaic applications (in which
number of devices are already undergoin
field tials), use of hydrogen as a fuel, an
efficient wood conversion systems.

It is, therefore, hoped that with a multi
pronged strategy of appropriate energ
source uses for the different requirement
of energy, in the industrial and agricul
tural sectors, and with spreading con
sciousness about the need for energ
growth as well as environmental protec-
tion, it will be possible to meet the objec-
tives of rapid economic developmen
based on increasing energy supply as wel
as acceptable environmental quality ob-
jectives.

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Chief Executive

1912. A 'first' from Tata Steel. The 8-hour day was introduced when the concept was unknown in Europe and America.

First and last–it's always been our people.

When the steel plant came up, labour welfare was 'one of the first cares' of the employer. While the world's foremost steel consultants were designing the steel plant, eminent social scientists Sydney & Beatrice Webb were writing a memorandum on 'Medical Services in the Welfare Work at Sakchi'.

This concern reflected the humane attitude of the Founder. For Jamsetji Tata firmly believed that looking after the health and welfare of employees meant laying the sure foundation of industrial harmony.

Anticipating every need of the Tata Steel man, the Company introduced the 8-hour day (1912), Free Medical Aid (1915), Leave with Pay (1920), Worker's Provident Fund (1920), Accident Compensation (1920) and Retiring Gratuity (1937). Most of these were introduced for the first time in India by Tata Steel many, many years before they were contemplated in the West and enforced by law in this country.

And all through, the employee has responded in equal measure. Giving his all through the good years and the bad. Making sure of maximum plant output even in the worst periods of shortages of essentials.

It is this sense of belonging, this fierce pride in the Tata name, that has fostered over fifty years of industrial harmony in the Company—a unique record. This is as the Founder meant it to be. For Jamsetji Tata believed that the wealth generated by industry must benefit the people and, thus, enrich the nation.

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TATA STEEL
1907-1982
TATA STEEL

What benefits the people, benefits the nation.

HTC-TIS-4562

Economic Analysis

Marine Products Exports: Challenges Ahead

R. B. L. Garg

HAVING GAINED importance barely a decade ago, marine food products now account for a significant share among the non-traditional exports of India. No other industry in the non-traditional sector has been able to multiply its exports so rapidly during the last decade as the marine food industry. From barely Rs 35.07 crores in 1970-71, the exports of marine products jumped up to Rs 89.50 crores in 1973-74. After a fall in these exports in 1974-75 to Rs 68.41 crores, there was a steep rise in 1975-76 when the country was able to earn from this source foreign exchange worth Rs 124.53 crores. Exports of marine products since then have been looking up steadily, except a marginal fall in 1977-78 when the earnings declined to Rs 180.95 crores from Rs 189.12 crores in the previous year. In 1978-79, exports rose to a new high of Rs 234.64 crores and again to Rs 248.82 crores in 1979-80. During 1980-81, they suffered a setback when they fell to Rs 234.84 crores, a figure close to 1978-79 exports.

Quantity-wise, these exports, which stood at 86,401 tonnes (valued at Rs 248.82 crores) in 1979-80, declined in 1980-81 to 75,591 tonnes valued at Rs 234.84 crores, recording a fall of 10,810 tonnes (12.51 per cent) and Rs 13.98 crores (5.62 per cent) in terms of value. Export earnings from marine products during 1981-82 are provisionally placed at Rs 250 crores, against the target of Rs 300 crores. (Table alongside).

The export markets for the Indian marine products include USA, Japan, the UK, the Netherlands, France, the UAE, Belgium, Kuwait, Singapore, Australia, Hong Kong and Saudi Arabia. Countries such as Ghana, Greece, Hungary, Italy and Denmark are marginal buyers of Indian seafood. However, Japan and the US are the major markets, jointly accounting for over 80 per cent of the total exports. While Japan accounts for nearly 68 per cent, the US accounts for nearly 23 per cent of India's total marine-product exports—mainly shrimps. It may be pointed out that over 80 per cent of the value of India's seafood exports and 60 per cent in terms of quantity are accounted for by shrimps. The share of frozen lobsters in the total exports is still small, although it fetches much higher a price than shrimps. A destination-wise study of marine product exports during 1979-80 and 1980-81 would reveal that Japan continued to be India's principal market during 1980-81, as quantity-wise our exports to Japan increased from 43 per cent during 1979-80 to 52 per cent during 1980-81 to 71 per cent during 1980-81. However, India's supply to the US, the second largest market, has suffered a fall both in value and volume. While the US imported seafood from India to the extent of 11,705 tonnes in 1980-81 valued at Rs 32.74 crores, there was a drop in the quantity by 2,194 crores (the actual volume being 9511 tonnes) and in the value by Rs 6.81 crores (the actual value being Rs 25.93 crores). Perhaps the largest fall in marine food exports was in the case of Thailand where India exported only 2,826 tonnes (valued at Rs 49 lakhs) in 1980-81 against 17,628 tonnes (valued at Rs 32.74 crores) in 1979-80. The countries which witnessed marginal increase in their imports from India in 1980-81 were Sri Lanka, Kuwait and the UK while those which showed fall were France, Netherlands, Australia and Singapore.

Export Growth of India's Marine Products

Year	Quantity (tonnes)	Value (Rs in Crores)
1971-72	35523	44.55
1972-73	38903	59.72
1973-74	52279	89.51
1974-75	45099	68.41
1975-76	54463	124.53
1976-77	66750	189.12
1977-78	65967	180.95
1978-79	86894	234.62
1979-80	86401	248.82
1980-81	75591	234.84
1981-82 (E)	75000	250.00

Source: The Marine Products Export Development Authority, Cochin.

Though India has stepped up its exports during the last decade, its share in the world trade of seafood is not more than two per cent even though it is among the top ten fish producing countries of the world. The comparative figures for 1978 reveal that while the USSR, Canada, Japan and the Republic of Korea exported marine food worth US $237 million, $981 million, Rs $749 million and $639 million, respectively, India was able to export seafood worth $223 million. It may be pointed out that as far as fish landing is concerned, India is very close to South Korea, although the exports of the latter are more than double of the former. Whatever export earnings India has been able to get so far have been mainly due to higher per unit realisation of shrimps (which is the single largest item of marine food exports from India) and larger shrimp catches.

The seafood industry is constrained by several factors which include illegal poaching in our fishing zones, protectionism inadequate fishing fleet, rising operational costs and the lack of finance. It is little wonder that India is still far behind such countries as Taiwan, Hong Kong, South Korea and Thailand, not to speak of the USA, the USSR, Japan, Norway, Denmark and Canada which have the most modernised fishing fleets.

For countries like Taiwan, Japan, South Korea and the USSR, till recently it was extremely profitable to fish illegally in Indian territorial waters despite the risk involved. Several trawlers from most of these countries were almost regularly poaching Indian maritime resources in the Bay of Bengal. In March, 1981, Taiwanese trawlers were caught poaching in our fishing zones in the north Arabian sea. Many more from several countries were spotted by coast guard vessels, as early as September, 1981. It is heartening that the Government has recently enacted Maritime Zones of India (Regulation of Fishing by Foreign Vessels) Act, which came into force from November 2, 1981, to prevent poaching in Indian waters. In terms of this act, no foreign fishing vessel will be allowed within the maritime zones of India except under a license or permit to be granted by the Government. The act provides for heavy penalties, including confiscation of vassels, for contravening its provisions. But what is now important is to keep a close watch on the intrusion of foreign trawlers in Indian waters.

Fishing in India is restricted to inshore areas upto 10 fathoms and deep-sea fishing beyond 10 and 40 fathoms has not been exploited. It is essentially because of inadequate strength of trawlers and mechanised vessels. Indian trawler strength, estimated to be around 200 at present, is poor as compared to Japan (15,000), Taiwan (7,000) and Mexico (4,000). Further, lack of sophisticated fishing fleet has resulted in wide fluctuations of fish landing without significantly boosting it. It may be pointed out that the output of India's marine products at present is about 2.7 million tonnes, against a potential of 14 million tonnes. Lack of finance is yet another factor putting hurdles in planned and efficient utilisation of marine products. Finances are also required at several stages such as processing, storing, transporting and marketing and the poor fishermen with low income certainly cannot engage themselves in all these activities. Besides easy credit to the poor fishermen, there is also a need to liberalise pre-shipment credit.

Protectionlsm by the major markets has proved a barrier in the smooth growth of exports of marine food. Selectve buying by the USA and Japan, following revised testing procedures and raising of tariffs, have been the main reasons for a recent drop (1980-81) in our exports of marine products. While the salmonella-issue is over (which was responsible for blacklisting of Indian marine products by the US Food and Drug Administration), it is now widely believed that the outburst of complaint was aimed at bringing down the price of the product. In any case, the problem of quality particularly when we are dealing in food items with countries such as US and Japan (which account for 80 per cent of Indian marine products exports) will have to be tackled without further delay.

However, it is equally important to develop new markets as any restrictions by any of these two major markets directly results in a fall in exports of marine food. It is soothing to note that the Union Government has initiated surveys of important potential markets which will cover Canada, West Europe, Australia and West Asia, besides Japan, and the USA. It is also proposed to send sales-cum-study teams to Japan, the USA, West Europe, Australia, Singapore, Malaysia and Hong Kong. Besides, it is important that the Indian participation in the ensuing fairs in Australia, the UK, Belgium, the Netherlands, West Germany and Italy is made more effective. It may be pointed out in this connection that India's participation in 'Anuga', the world's biggest food fair held in Cologne recently, has shown that there is agrowing demand in EEC countries for a new range of marine products. The EEC nations at present absorb only eight per cent of our total seafood exports, the bulk of which comprise frog legs. In fact, unduly heavy dependence on one or two markets and for a single product will not take India to fuller utilisation of its marine wealth.

There is a tremendous wealth of seafood under the dark blue waters of the Indian Ocean, which, if properly exploited, can prove a useful source of foreign exchange. According to the Sixth Plan target, exports of marine products would have to be increased from Rs 250 crores in 1981-82 to Rs 412 crores in 1982-83, Rs 493 crores in 1983-84 and Rs 591 crores in 1984-85. The Government has taken some steps to raise the seafood export earnings which include chartering of deep sea fishing vessels, promoting prawn culture, setting up of pooling sheds, distribution of insulated boxes and subsidy and assistance for developing new items in new foreign markets. While there is no doubt all these measures will help boost marine product exports, much depends upon how properly and timely they are taken, besides other steps such as quality control and extensive deep shipping. It may also be pointed out that for promoting exports of seafood in the new markets, not only will the sophisticated promotional efforts be needed but competitive prices of our marine products will also have to be ensured particularly when the market for these products is extremely competitive. The enormous seafood wealth can only be harnessed to bring valuable foreign exchange through planned efforts.

Revision in Duty Drawback

THE REVISED scheme of duty drawbacks, announced by the Government last week, indisputably, can provide a shot-in-the-arm to exports of many products, particularly those of capital equipment for setting up turnkey projects abroad. The exporters of turnkey projects have already been provided a judicious concession in the budget by way of exempting from income-tax 25 per cent of the profits earned by them on their contracts abroad in a year. The revised duty drawback scheme, under which "all industry rates" have been made applicable to project exports for the first time, will enable the exporters to derive the benefit of drawbacks expeditiously within a couple of months of their shipments. All industry rates are fixed rates of duty drawback entitlement. They may be either specific or *ad valorem*. The mechanism is such that the refund of duties is appreciably quickened. Exporters of capital equipment for major project exports will be required to register their contracts with custom houses. They need not submit data for determining brand rates of duty drawback which have to be worked out for each export item and cause long delays in reaping the benefit. All industry drawback rates would cover not only machinery, parts and accessories fabricated by the exporter himself but also third party supplies.

Important Concession

Another significant merit of the revised scheme is that all industry rates have now been made applicable to approximately 90 per cent of the country's exports by bringing in 100 new items under this coverage, raising them to 500 from about 400 last year. Many of them are engineering goods. These include ceiling fans, bicycles, scooters and motor vehicles with certain deletions. In respect of such exports, in incomplete packs (CKD/SKD packs) where deletion is up to 40 per cent of the f.o.b. value, the drawback shall be payable at the rate of a complete assembled unit. Hitherto, in respect of such exports, the exporters were required to make applications in individual cases for the fixation of brand rates even if the deletions were minor.

Higher Rate

The new duty drawback rates for several products are substantially higher in recognition of the increased incidence of customs and excise levies. To that extent, *status quo ante* in most cases has been maintained if not improved upon slightly. This, of course, raises the major issue of whether it is judicious to go in for large resource mobilisation effort by stepping up indirect taxes in the country the cascading effect of which is sometimes difficult to assess. Duty drawbacks compensate the exporters for the indirect taxes that cannot be passed on to the foreign buyers. But indirect taxes do outprice Indian products in competition from global competitors. The expeditious settling of claims for drawbacks, indeed, is a welcome step. Yet there is case for a fresh look on the issue of making our exports competitive in the world markets. This assumes heightened importance in view of the necessity to enlarge exports to the maximum to contain the developing stresses and strains of the balance of payments front when the prospects of economic assistance from abroad are becoming bleaker.

Some of the other important changes, besides the above-mentioned ones, made in the duty drawbacks scheme are as follows :

1. Keeping in view the recent trend in exports of readymade garments, in the case of which an *ad-valorem* rate of drawback was announced for all types last year, the drawback rates have been restructured. Besides the existing pattern of rate announcement, an alternate rate based on fibre content/yarn content/dye content/fabric duty content has been granted subject to the exporter quali ing for a minimum of seven per cent trousers and over eight per cent readymade garments other than trouse For this purpose, exporters would required to file the data in forms ‘ and ‘B’ which were enforced earlier a have been reintroduced with suital modifications.

2. With the commissioning of the Sal steel plant, the Government has revis the basis for allowing drawback for stai less steel untensils and articles. Hithert the drawback rate for these goods w being granted on production of MMT release order and/or, the actual bills entry. The Government has now revis the basis for determining drawback rat by deeming hot rolled stainless ste sheets used by Salem steel plant to the raw material for purposes of dete mining drawback rate for stainless ste utensils and article. These rates of drav back would be applicable to all exporter of stainless steel and there will be n need to produce evidence of payment o duty at the time of export.

Wider Coverage

3. In consultation with the India Machine Tools Manufacturers Associa tion and after conducting studies of th major manufacturers, the drawback rate for various categories of machine tool have been rationalised. Similarly, base on studies conducted by the various textile machinery manufacturers and i consultation with the Textile Machiner Manufacturers Association, the drawback rates for textile machinery hav been restructured and broadbased t cover a wider range of textile machinery

4. In respect of steel furniture, th Government have revised the basis fo the grant of drawback by allowing ar *ad valorem* rate, while the existing system of granting drawback is on the composition of materials used.

5. In the case of sports good, the rate

ive been revised upward and group- gs of sport goods rationalised to reflect e duty incidence thereon. The mini- um drawback rate for sports goods has een increased from one to three per cent nd the maximum rate for certain sports quisites will be eight per cent.

Textile Exports : Indo-EEC Talks Fail

HE DROPPING of "reasonable depar- ures" clause, circumscribing of other de- artures through unilateral action by nporting countries and grant of special onsideration to exports of cotton tex- lles from the cotton-producing exporting eveloping countries were the three dis- inct gains which the developing countries ad been able to wrest from the develop- d ones while finalising the new multi- bre agreement which is to be operative pto July 31, 1986. The real test of the uccess of the developing countries in ringing the above concessions, this ournal had opined, would come at the me of bilateral negotiations. While atisfactory arrangements have been made hrough bilateral talks with Austria and Canada for the export of Indian textiles uring the first year of the operation of he new MFA, serious hurdles have come p in the negotiations with the European Economic Community held last week in Brussels. The EEC has suggested some ew elements to be incorporated in the ilateral arrangements which run counter o the protocol signed multilaterally in Geneva in December last. Consequent- y, the Indian team, which had gone to Brussels for the bilateral talks, has re- urned without success. Another round of talks is expected to take place towards he end of July to sort out the matters.

Serious differences have cropped up in the negotiations with the EEC on all the three material aspects of the arrangement. In regard to contractual framework, the EEC has sought unilateral right to prevent surge in the utilisation of the existing quotas if a mutually agreeable solution on the basis of compensation cannot be hammered out. The Indian contention has been that the quotas are accrued rights and cannot be tampered with by the importing country unilaterally.

Similarly, India has not agreed to the move of the EEC to have a mechanism for bringing in new items under restraint by taking them out of the basket of items eligible for quota-free access. India has pointed out that if it was found that import of any item enjoying quota-free access was disrupting EEC's market and its position needed to be safeguarded, the matter ought to be referred to the Textile Surveillance Body for decision, instead of the EEC taking powers to bring these items under restraint unilaterally. The EEC has also proposed to acquire unilateral authority to debit unauthorised imports of any item to the quantitiative quotas of the country of origin. This too, it has been pointed out—by India—is unwarranted under the new MFA.

Misinterpretation

Like the United States, the EEC has sought to interpret handloom garments as those stitched by hand and with needle and thread and has asserted that quota-free access should be available only to such garments and not those made hy sewing machine from handloom fabrics. This interpretation has been contested by India. It has been pointed out that both Canada and Austria have accepted India's point of view that the garments made by sewing machines from handloom fabrics should be considered as handloom and hand-made products.

The offer of the EEC in regard to quantitative restrictions on imports has been found by India to be disappointing for it is much lower than the six per cent minimum annual growth prescribed. The possibility of a lower annual growth is recognised by India in certain circumstances. But India's stand has been that a plea for a lower increase has to be specifically supported by documentary evidence. India has also raised the issue of regional distribution of the EEC quota among the member States to facilitate quota transfer from one State to another in certain circumstances.

In regard to administrative arrangements, the proposals of the EEC, India considers, would make the arrangements more difficult instead of simplifying them as envisaged in the new MFA.

India will be having bilateral negotiations with the United States in the near future. It remains to be seen how smooth sailing these talks will have.

Big Government in Bengal

CONSIDERING THE comfortable majority secured by the Left Front in the West Bengal Assembly, one would have expected it to complete quickly and smoothly all the formalities relating to the formation of the Ministry so that the latter could start its work in right earnest. But the Front took about 10 days so finalise the list of Ministers. Even then, there has been no finality about the allotment of portfolios except those held by the Chief Minister. It will take another two months for the portfolios to be re-distributed. The fact that no agreement could be reached on this vital issue seems to show that the Front's constituents have not yet been able to compose their differences and work as a well-knit team.

It is worth noting that the dispute over the allotment of portfolios arose not because of the desire to secure better coordination and greater efficiency in administration but mainly due to the anxiety of the Front's constituents to retain the same influence as they had held in the previous Ministry and to prevent their colleagues from acquiring more power and prestige. The Front was in office for a full five-year term. Therefore, surely, its leaders had sufficient experience to know in what manner the portfolios should be distributed in the best interests of administration. The delay in finalising this matter will create unnecessary uncertainty both among Ministers and civil servants at a time when many urgent problems await immediate consideration by the Government.

The first Left Front had 23 Cabinet Ministers and six Ministers of State. But the new Ministry has been made too large and unwieldy by having 44 Ministers, of whom 21 have the cabinet rank and the rest have the status of Ministers of State, some of them holding independent charge. The Chief Minister will look after Home (excluding Transport, Civil Defence and Parliamentary Affairs), Finance, Development and Planning. Although he is to be assisted by a Minister of State, Mr Jyoti Basu's responsibilities seem to be rather heavy since he has also to look after the problems of coordination among his colleagues. Finance should have been given to a full-time Cabinet Minister in view of its importance and its impact on all other Departments. It is surprising that the Power portfolio has been given to a Minister of State holding independent charge. Even when Mr Jyoti Basu looked after this subject in the last five years, he did not find it easy to enforce discipline in the power sector and secure the prompt cooperation from New Delhi in various matters relating to its development. Despite the best efforts of Mr Jyoti Basu, capacity utilisation in the power plants in West Bengal continues to be one of the lowest in the country. There have also been chronic delays and difficulties in completing the new power projects, one reason for this being the absence of close cooperation among the various agencies and departments concerned. Does the Left Front Committee believe that a Minister of State can effectively tackle this problem when Mr Jyoti Basu, with all his prestige and popularity, found it hard to manage? Further, does it not look odd that when Animal Husbandry and some other subjects of relatively minor importance are looked after by Cabinet Ministers, power is handled only by a Minister of State?

R. J. Venkateswaran writes from Calcutta

Anomalies are seen in the allocation of other departments also. Thus, for instance, two Cabinet Ministers are in charge of education, one is for Higher Education and the other for Primary and Secondary Education. Besides, one Minister of State is for Primary and Secondary Education and another for Social and Non-Formal Education. It is hoped that, while reallotting the portfolios, the Left Front will show more realism so that the administration can work with greater speed.

The efficient working of the Ministry will, of course, depend to a large extent on the leadership provided by the Chief Minister. In the last five years, Mr Jyoti Basu has acquired considerable administrative experience which should stand him in good stead during his second term. It seems unfortunate, therefore, that he does not have a free hand in the distribution of work among the Ministers. Every Chief Minister, of course, is expected to show due regard to the wishes and sentiments of his colleagues but, at the same time, he should have the final say since it is his main responsibility to see that the Ministry works at a high level of efficiency. The Left Front Committee, therefore, should not have fettered the discretion of the Chief Minister in the matter of allocation of work.

New Approach to Export Statistics

THE ENGINEERING Export Promotion Council has devised a new system to equip itself with up-to-date statistics regarding the performance of its members. It has prepared, in consultation with an expert, a proforma for submitting export returns and it has appealed to its members to fill them up, giving the relevant data regarding the export achieved in 1980-81 and 1981-82, the outstanding order as on April 1 this year, and the target in terms of f.o.b. value for 1982-83. The Council has identified about 3,000 "live exporters" on an all-Indi basis and divided them into regions/cities The Council's officers will visit the identified exporters and collect the figures These will be computerised to ascertai the performance, country-wise and item wise, for 1982-83 at the macro and micro levels.

The Council has explained that it has introduced this method because of the difficulty in getting "authentic export figures from the office of the Director-General of Commercial Intelligence and Statistics (DGCI & S) and the delay in receiving export returns". The Chairman of the Council, Mr G.D. Shah, has said in a circular to its constituents that although the financial year has ended, the detailed export figures are not likely to be available from the DGCI & S "in the near future". He has appealed to them to extend their full cooperation in this matter since it is "extremely necessary to have a clear and complete picture of our past performance for drawing up any realistic export plan for the current year as well as for the future".

Commendable Initiative

The Council's initiative in collecting the export data through its own efforts is, indeed, commendable. But will this approach enable the Council to get a full picture of the export achievement by the entire engineering industry in the country? Deputing the Council's officers personally to meet the exporters for this purpose will be a time-consuming process. As engineering goods have assumed enormous importance in our export trade, one would have thought that the members themselves, of their own accord, would promptly and willingly submit their returns as a matter of routine. Why should it be necessary for the Council's officers to go round the country for collecting the data when their time and talents can be utilised for other important work?

What are the other export promotion councils and commodity boards going to do to become up-to-date with the data of the export performance of the products concerned? Will they follow the example of the Engineering Export Pro-

Railway Freight Trends

On final reckoning, the Indian railways carried last year about 221.2 million tonnes of revenue-earning originating goods traffic, as against approximately 220 million tonnes estimated at the time of presenting the current year's budget in February and 215 million tonnes target for the year. This represents an increase of nearly 13 per cent over the freight traffic catered for by railways in 1980-81.

In terms of net tonne kilometres, the freight traffic tally for the last year now approximates 164.2 billion, as against 147.7 billion in 1980-81. This represents an improvement of 11.2 per cent. In comparison with the February estimate of 165 billion, the final tally is marginally lower, indicating that the goods traffic lead has turned out to be slightly less than 743 kms, as against 754 kms in 1980-81.

The estimated surplus of Rs 51.84 crores from the 1981-82 operations, thus, may be marginally affected.

The goods traffic trends during the current financial year suffered some setback in April and early May due to the difficulties of the steel sector as well as delays in the rabi procurement operations on account of unprecedented, unseasonal rains. But this leeway, perhaps, has been made up to some extent in the second fortnight of May during which the daily average originating freight loading improved by about 15 per cent.

notion Council or continue to rely vholly on the DGCI &S? What does the Commerce Ministry have to say on the iew approach of the Engineering Export Promotion Council to the collection of statistics? How can the Ministry hope to draw up its export targets on a realistic basis when it seems to be doing nothing to reduce the large time-lag that now exists in the compilation of foreign trade statistics? Leading associations of industry and trade in our country have often drawn the attention of the Government to the serious handicaps faced by them in discussing their plans with foreign businessmen, due to the non-availability of the latest data regarding India's foreign trade. Udyog Bhavan itself must have felt this difficulty while drawing up trade plans with the various countries. But even then the problem is not being tackled in earnest as will be evident from the decision of the Engineering Export Promotion Council not to wait till statistics become available from the DGCI &S.

Services Trade

If the Government of India finds it difficult to gather the latest data about the export of commodities, one wonders how it is going to encourage the trade in services? An article in a recent issue of *Economic Impact* revealed that in 1979 the global trade in services, measured in terms of earnings on investment, was $319 thousand million. Services include shipping, airlines, telecommunications, banking, advertising, tourism, construction, motion pictures, transportation, and so on. According to this article, the Government of the USA has identified 16 service industries and their exports in 1980 exceeded $70 thousand million.

In India also there is considerable scope for augmenting the earnings of foreign exchange by developing the trade in services. But can the Government effectively exploit the export opportunity in this field when it finds it difficult to compile the figures regarding the trade in the tangible goods? In the USA, it is stated that "intense scrutiny" is now going on within the Government so that it will be able to assess precisely the amount of foreign exchange earned by the export of services. Can Udyog Bhavan, therefore, afford to adopt a leisurely approach in regard to the compilation of foreign trade statistics?

Clearance for Nhava-Sheva

T.T. Vijayaraghavan writes from Bombay

The Union Minister for Shipping and Transport, Mr Veerendra Patil, announced in Bombay in the first week of June a time-bound programme for the construction of the Nhava-Sheva project. The Union-Cabinet had cleared the project only a few days earlier after the Public Investment Board had okayed it.

Conceived as a satellite port to ease the congestion at the Bombay port, India's largest and the busiest one, it has taken over 12 years for its clearance. It was in 1971 that the Board of Trustees of the Bombay Port passed a unanimous resolution that the construction of Nhava-Sheva project be taken up. The cost of the construction was then estimated at Rs 50 crores. Thanks to unconscionable delay, this has now escalated to Rs 592 crores, of which the foreign exchange component would be Rs 195 crores. A working group set up by the Planning Commission in 1979 came out in favour of setting up the new port on techno-economic considerations and suggested the preparation of a detailed project report.

The report, which became available earlier this year, envisages that the new port facilities at Nhava-Sheva may handle containerised and dry bulk cargo to the tune of 7.23 million tonnes by 1987-88, increasing to 11.90 million tonnes by 2000-2001. The existing port would handle the remaining portion of the projected traffic amounting to about 19.78 million tonnes by about 1987-88 and to about 32.76 million tonnes by about 2000-2001 (including crude oil and petroleum products). Once the satellite port gets going, it will give a fillip to the twin city project and contribute to the growth of New Bombay and other areas that the City and Industrial Development Corporation of Maharashtra (popularly known as CIDCO) is developing.

Mr Veerendra Patil announced that Nhava Sheva, the ultra-modern eleventh major port, would be ready by 1987 for which construction will begin in mid-1983. Global tenders would be floated by October-November for entrusting critical work like construction of berths, reclamation and back-up facilities behind the berths, etc., to contractors. The entire zone had been declared as customs-free area during the construction period. In the first phase, eight berths, totalling 2,100 metres, would be constructed which would accommodate four container ships and four bulk cargo ships at a time. They would be equipped for rapid loading and unloading of large vessels and facilities for handling cargo onshore.

An important point made by Mr Patil was that a separate board of trustees had been appointed for the Nhava-Sheva project. Thus the Bombay Port-Trust will have no jurisdiction over Nhava-Sheva. Mr S.P. Ambrose, Additional Secretary (Ports) in the Ministry of Shipping and Transport would be the Chairman of the first board. Mr P.B. Rajagopalan, new Project Director of Nhava-Sheva port would be the deputy chairman. The Government has also constituted a high-power committee, consisting of Secretaries from Finance, Shipping, Railways, Commerce and the Planning Ministries, to take all the major decisions on administrative and financial matters and to monitor the progress in the construction of the project. The present target is to construct the port in 36 to 42 months. World Bank assistance has been sought for the project. A team from the World Bank is expected next month to appraise the financial assistance.

The new port is designed to become one of the major modern ports of the world. For example, bulk cargo like fertilisers and raw materials will unloaded through conveyor belts ov the sea from the ship directly into hu silos. The container berths will equipped with adequate number cranes and container transfer equi ment. It is expected that unlike t system elsewhere in the country, whe over 20 people attend to a containe the new port will be able to handle container with three members and tw fork-lifts which is the internation manning scale.

A vital point to be taken note of that the new port, apart from easin the congestion at Bombay port, ma lead to a reduction in truck traffi which is now polluting the city roads Nhava Sheva also provides an opportunity for developing an inland waterway for decongesting Bombay.

Nhava-Sheva, as stated earlier, wi be the eleventh major port in th country. The other such ports ar Calcutta, Bombay, Madras, Visakhapatnam, Cochin, Kandla, Mormugao Paradip, New Mangalore and Tuticorin.

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Window on the World

Strengthening Indo-US Relations

V. Balasubramanian

Now THAT Prime Minister Gandhi's plans for talks with President Reagan in Washington on July 29 are in place, it should be useful to consider the problems and possibilities of the meeting with close-and-clear eyed candour. Smugness is not relevant.

In the first place, it is well to accept the hard fact that Indira Gandhi's US visit is essentially of her seeking, not Reagan's. This is because, quite early in its life, his administration had cast in cement its policies for the Indian sub-continent. As the President sees it, these policies are not open to debate.

Indeed, by the end of June last year, if not even before that, Reagan's foreign policy and defence strategy planners had come to the resolute decision that it served US global interests best to identify Pakistan as a south-west Asian regional power geared to the security needs of the Gulf States against a Soviet threat. A corollary to this concept is that, besides helping to keep going the rebel movement in Afghanistan by acting as a supply base or a conduit for political and military intelligence, Pakistan could also be strengthened to act as a road-block to enhanced Soviet influence in the affairs of the Indian sub-continent.

Strategic Needs

On this American reading of its strategic needs, the security-related relationship which the Reagan administration has forged with the Zia regime through a continuing programme of extensive military assistance, including the supply of advanced combat aircraft and other sophisticated weaponry, has demanded and obtained a very definite relegation to a secondary status of the repercussions of this policy on US political relations with India. The assurances which Secretary of State Haig has been doling out to the contrary to Indian diplomats, including visiting officials, have been purely verbal and flattering, perhaps, to the egos of their immediate recipients. Incidentally, Argentine President Galtieri reminded Reagan the other day that historic bonds had meaning only in terms of conduct in the present.

It follows that the basic attitude of the US Government towards India is to try to expound its own settled policy for the Indian sub-continent, leaving it to India to allow itself to be convinced if it would. It follows also that, with so much on its foreign policy plate to cope with, the Reagan administration does not view summit discussions with India as a matter of immediate strategic necessity. This is why, despite the much publicised graces of the meeting between the heads of the two Governments at Cancun in August last year, several months had to pass before an invitation would go from the White House to 1-Safdarjung Road, or even no attempts were made to reschedule the announced visit of Secretary Haig to New Delhi in December, cancelled at the eleventh hour because of the developments in Poland at the time. At the beginning of this year, I had written elsewhere that Prime Minister Gandhi was likely to be invited to visit the USA only in the latter half of this year. It has been obvious all along that nothing like a pressing sense of either need or urgency has been in evidence in White House plans for scheduling the Gandhi's visit.

Small Talk from Washington

That, despite these circumstances, Prime Minister Gandhi has persevered in her efforts to have Indo-US problems discussed seriously at a direct meeting between the heads of Government does no discredit to her. On the contrary, it speaks highly of her sense of responsibility to the people of India that she has taken an entirely objective view of the desirability of trying to improve their country's relations with another of such immense political and economic significance to the affairs of the world. By persistently indicating at the diplomatic level her interest in summit talks, the Prime Minister has demonstrated her overriding concern for the national interest and her desire to work to build a few more bridges of understanding between the Governments of the two countries where not too many exist now. This is fair enough evidence that, in so far as it lies within her power, her efforts, while in the American capital, will aim at some tangible lessening of tensions and at least modest gains in cooperative approaches to issues of common concern.

Futile Pursuit

There seems to be a widespread assumption, especially in India, that one of the chief purposes of the Prime Minister would or should be to convince the Reagan administration that India is not only not a Soviet satellite by any means, but is not influenced by purely or even primarily pro-Soviet considerations in framing its own policies for issues in international debate. Actually, she will be ill-advised to waste her time or energy on any such pursuit. She may argue till the cows come home, but she is unlikely to re-convert many here to the view that India does not accord high priority to the maintenance of close and friendly relations with the Soviet Union. Nor is it necessary for her to attempt to do so and, indeed, it could be harmful in the sense that it might irritate the Soviets without helping to promote India in the United States. Recognising this, Indira Gandhi has been emphasising India's need of friendly relations with both the USA and the USSR and her own desire to serve these twin interests of her country. However, there were a few recent occasions when she was found to be protesting too much when asked about India's relations with the Soviet Union. This may not necessarily strengthen the hands of Indian diplomacy in its dealings with the Americans.

What may is an attempt on her part, during her talks here to convert as many administration policy-makers, Congressmen or other Americans, important in business, banking, the labour unions, the universities and the media to the belief that her Government is willing to listen to American global concerns, share as much as possible in the efforts of US diplomacy where they are directed towards moderating regional tensions or conflicts or advancing the universal cause of nuclear disarmament and world peace and generally cooperate with the democracies in promoting recognisedly common ideals and objectives.

Positive Swing

A similarly positive swing needs also to be given to Indian involvement in Third World problems and objectives so that American opinion may be helped to a knowledge that India is interested in welcoming and cooperating with the initiatives of industrial countries in the constructive structuring of North-South economic relations. Indian diplomacy, in other words, should, in the person of the Prime Minister, speak in Washington of directions in which it seeks to move forward in its relations with the United States, without moving away from other international relations which are also necessary for the security and well-being of the Indian people.

Now, what are the results that India could reasonably expect, under the most favourable conditions, from its Prime Minister's talks with the US President?

Nepal's Oil Programme

Nepal does have reserves of crude oil and its exploration prospects are quite good, according to the view of the experts in the Department of Mines and Geology.

Two areas earmarked for exploration of crude are the Terai belt and the Chure range which the Government is set to explore. Oil and natural gas seepages have also been observed at Padukasthan, Siristhan and Nabhisthan in Dailekh district, in the Muktinath area and in the Kathmandu Valley. Geologically the Chure range and Terai belt are considered "promising areas" for oil and gas deposits.

In 1979-80., the Government carried out an aeromagnetic survey of an area of about 48,000sq. kms covering the entire Chure range and the Terai plains. The findings of the studies conducted to date are described as "satisfactory".

As part of the follow-up programme, the Government is preparing for a reconnaissance seismic survey of the area. The survey will also provide information regarding rock structures favourable for oil and gas accumulation.

In the next two years, the Government will undertake the study of the underground nature of sediments. Should future studies yield positive results, exploration and drilling work of feasible pockets would begin some time in 1984 or 1985. The annual consumption of petroleum products in Nepal is around 160,000 metric tons.

It must at once be said that it is extremely unlikely that the Reagan administration will be talked into reconsidering or diluting in any manner its on-going programme of military assistance to Pakistan. India's arguments against this programme have been repeatedly pressed on Washington and there is clearly nothing that the Prime Minister can say again or say newly to compel a reappraisal by the US of its view of security-related relationship with the Zia regime. What she can do, however, is to impress on as many Congressmen as possible the destabilising consequences of an arms race on the sub-continent even for the US strategic objectives of regional alliances or regional acceptances of American foreign policy concerns. Already a majority in the Senate Foreign Relations Committee or the House Foreign Affairs Committee seem to recognise that escalating and competitive military preparedness on both sides of the Indo-Pakistan border is taking away rather than adding to the chances of the US building up its overall effectiveness in the region as a counterforce to Soviet global strategies. The Prime Minister may usefully try to promote this awareness, but she should do so, of course, without creating an impression in the White House that she is trying to influence Congress over the head of the administration. One of the reasons why President Reagan set out so single-mindedly to secure congressional votes for the sale of AWACS to Saudi Arabia last year was that the Israeli Prime Minister's blatant bid while visiting Washington, to lobby Congress against a measure considered by the President to be essential to the conduct of his foreign policy, was resented as improper outside interference with the Government of the country.

Since the Reagan adminstration is not going to be talked into slowing down the pace, or stepping down the quality of its arms assistance to Pakistan, the next best thing for the Prime Minister would be to consider whether it should not be part of her agenda for Washington to discuss US becoming reasonably active as a source of supply of military hardware for India. New Delhi has been looking to the US for certain descriptions of military equipment, but negotiations have been stalled for some time, with each side blaming the other for lack of progress. Objectively, it could be said that both have been showing only a minimal interest in putting through the business. If the Falkland war has any lesson, it is that any country's arsenal will be better off with a wider range or longer reach of procurement of sophisticated weapons, ace continuous advances in arms tech- ology are apt to spring surprises on oops in the field.

If India could establish a regular line arms purchases from the United States, sentially as commercial transactions, could lead to some very legitimate litical benefits as, for instance, the moval from the American mind of a eling that India does not have a place mong friendly countries so described in e lexicon of American foreign policy. his could have important psychological ility for cheering up popular percep- ons of Indo-US relations on both sides f the equation.

There could also be gains, simultane- usly, in another sensitive, but unrelated rea of Indo-US relations. It is clear hough by now that, if the Tarapur fuel ispute were to remain unresloved even fter the Gandhi visit to Washington, great opportunity for eliminating an ritant in Indo-US relations would have een missed. At the present stage of e controversy, a smooth escape out f it could be along the following lines.

Nuclear Irritant

The Prime Minister may offer and the resident accept a formal assurance hat India will not use fuel of Ameri- an origin or the spent fuelrods result- ng from the process for any purpose ther than those contemplated in the ndo-US nuclear cooperation agree- ent. She may also declare that India, n any case, has no intention of iverting its nuclear research or deve- opment activities away from peaceful pplication. The US Government may hen release the fuel shipments that ave fallen due and simultaneously both Governments may agree to terminate he agreement itself by mutual consent. The negotiations so far have been so nvolved in technicalities and legalities hat a straight political decision, based n mutual good faith, may well be the nly option left to either party.

On the economic plane, it is going to e a big job for the Prime Minister to cope with India's image in the US as a country hag-ridden by statist policies, caught in a web of administrative controls and bureaucratic regulations, intolerant of foreign capital or investments, but endlessly hungry for foreign aid, suspicious of its own business community and beguiled by socialist rhetoric unrelated to the priorities of its need to provide for a large and growing population the bare necessities of life. It makes no difference to this prevailing view of India among the Americans that what they believe is a portrait is only a caricature of the Indian economy as it is being managed today. India's economic policies as they were framed and pursued in the past have left a lasting negative impression which later developments or current trends are still unsuccessfully struggling to subdue.

Distorted View

That there is in the American conservative establishment in politics, business and academic life a perverse tendency to ignore the possibility that its conception of India no longer applies does not help matters. On the contrary, crusading free marketeers such as economist Milton Freidman are able to capitalise on this situation by painting India as an economically benighted nation which is piling up mass poverty by vainly seeking economic equality for its people. Their influence on target audiences to whom they communicate on TV cannot be minimised and in fact it is too powerful to be combated by groups of businessmen or individual ministers visiting this country from time to time, however serious or skilled their efforts may be. To add to all this, several voluntary agencies, which make use of all available channels of contact or communication for mobilising donations from the American public for relief work abroad, naturally and quite reasonably employ audio-visual means for putting across the deprivations and distress of the young and the old, the outcasts and the handicapped and men and women of various decriptions in Third World countries, including very definitely India. Not many Americans see India in a romantic light. To them India is the Calcutta slums and streets of Mother Teresa, Khushwant Singh notwithstanding. As a matter of fact, she is here, as I write these lines, receiving homage from or being honoured by one institution after another and *The Washington Post* carries her picture on its front page.

To be sure, those Americans in Government, business, the universities, or elsewhere, who have kept track of India's affairs, do know that changes have taken place and are taking place in the way Government views its role in the economy. They acknowledge the good this has done and is doing to the Indian economy in its agricultural and industrial sectors. But, their knowledge or perception of things Indian do not seem to percolate enough through the layers of American thinking or feeling about India, while not a few of them do not seem to be exactly eager that it should do so. It is too much to expect that the Prime Minister could change all this by whatever she could say or do during her visit, but some bold initiatives on her part for widening economic cooperation with the United States could help to make her discussions with the President a landmark exercise in putting a positive face on India in American eyes.

Wasting Breath

Here it is necessary to say at once that it will be as futile for Indira Gandhi to try to persuade Ronald Reagan to change his mind about development aid as to attempt to persuade his administration to revise its arms assistance programme for Pakistan. A few days ago, US Trade Representative Ambassador Bill Brock was complaining that the Japanese and the Europeans expect him to recite Adam Smith to auto workers and steel workers in the United States. But neither he nor any of his colleagues nor the boss man of them all see any incongruity in waving the magic wand of the market place at Governments and communities in the Third World. If the Prime Minister sets out to preach to the President the virtues of a transfer of resources from the North to the South, she will be only wasting her breath. This may be illustrated by quoting what Treasury Secretary Donald T. Regan said at a meeting with jounalists here during the week before the Versailles summit.

In his opening remarks, while listing the issues for the summit, he said that there would be some contentious subjects such as the North-South dialogue or global negotiations. Subsequently, when a correspondent asked him whether the US had something new to offer to the developing countries on the issue of global negotiations he charged the developing countries with having no agenda and wanting only general discussions at the UN, thus bypassing the established international agencies. The Treasury Secretary then added in good measure the accusation that the developing countries did not want to "guarantee" the independence of these agencies. When I took him up on this and pointed out that the developing countries were only seeking a modification of the existing power structures in these agencies which, in their view, did not allow them a sufficient voice in the framing of policies or their implementation, he attempted to clinch the argument by asserting in effect that Governments which paid the piper rightly called the tune and that the United States was the largest paymaster of them all.

Right Impact

I am recounting this to show that the Prime Minister cannot hope to accomplish much by debating development assistance issues with President Reagan, although US attitudes towards matters specifically relating to India that may come up in the IMF or the World Bank from time to time may be coloured in the future by the interest the Reagan administration may develop in appearing to be more friendly to India. Perhaps Indira Gandhi should direct her main effort towards making an impact on Indo-US economic relations in the trade and investment areas. Our country has a large and continuing interest in expanding existing business in exports and an even greater concern for exploring the American market for a wider range of Indian goods. Right now the Americans themselves are equally keen on market access for their farm commodities and hi-tech products. It may profit India to address itself to these American priorities as a strategy for building a climate favourable to India's own merchandise in the American Government and the American market place.

Perhaps India could consider a medium-term grain agreement with the United States under which it could buy two million tonnes of foodgrains per year. Given the Government of India's policy of maintaining a relatively high level of buffer stocks and the increasing Indian flexibility as an exporter itself of foodgrains, this transaction should be able to command respectable economic justification at home, besides being a useful political investment for India in American goodwill.

Interesting Possibility

Another interesting possibility is that India may offer to enter into consultations with the United States on a framework for policies supportive of investments by American firms in Indian industrial or service sector. In practice, India has begun encouraging foreign investments, including the American. It is only sensible to bestow a high profile on this trend as this will serve to correct wrong impressions of an alleged continuing Indian preference for depending unduly on development assistance instead of relying primarily on earned resources.

Admittedly this view of what the Gandhi visit to the US capital may expect or attempt to accomplish is not very exciting. But, then, there is no room, in reason, for anticipating a sea-change in Indo-US relations. Actually, the Prime Minister is undertaking a diplomatic exercise which may call for some very deft walking on a razor's edge of risks which may only be barely commensurate with rewards. Each side needs to avoid the kind of rhetoric that may annoy the other. Fortunately, the omens are that, at a purely personal level, there is a high probability of the protagonists charming and being charmed. The President is a professional while the Prime Minister has a carefully nurtured capacity to put herself out to please when she decides to do so. In the State Department the word is that Secretary Haig is optimistic at least about an elegant exchange of words and views.

TAILPIECE: The Saudi Sheikhs are silently laughing—and the Americans are not amused. It seems that it is not only the orientals, doing business with American firms who have itching palms and i seems also that it is not true that American business executives do not take bribes but only give them to corrupt foreigners in the larger corporate interest of their employers. The Saudi Arabian Government has made over to the US courts records on top executives of Raython Co, the US radar concern, on the basis of which an absconding vice-president of the firm has been indicted, along with another executive, on charges of receiving kickbacks amounting to one million dollars. The payments were made by other American businessmen who were shipping modular housing for the Hawk missile systems which the firm was installing in Saudi Arabia.

Another jolt to their national ego which Americans probably have less difficulty in absorbing is that the Japanese offer to help out with concessional finance is being taken up by eager American firms. Officials at the US-Asia Institute in Washington, who have invited applications from a Fund stated to be $10 billion, say that they have already received requests numbering over a thousand for loans aggregating to ten times the money which the Japanese financial and industrial communities intend placing in the pool.

World Economic Outlook

THE INTERNATIONAL Monetary Fund and its members continue to face difficult economic challenges in an environment of great uncertainty, according to the 1982 *World Economic Outlook*, prepared by the staff of the Fund. The report focuses on three basic problem areas—slow growth of output, inflation, and external imbalances—and also discusses a number of associated problems, including the low rate of expansion of world trade, high unemployment, new threats of protectionism in trade policies, the behaviour of interest rates and exchange rates and structural rigidities in national economies. Taken together, these various problems indicate a compelling, widespread need for policies of adjustment.

The report notes that prevailing imbalances in the world economy, both among groups of countries and within many individual countries, have become more intractable; for that reason, it is not to be expected that major problems can be handled quickly, easily, or painlessly. A clear need for patience and perseverance on the part of national authorities, as well as for public understanding of their objectives, is visualised, since an approach that offers reasonable prospects of eventual success will require considerable time to achieve the desired results. The adjustment called for, according to the report, is one of a broad and fundamental character, directed over the medium-term toward the control of inflation, the handling of structural problems and rigidities, and a strengthening of the productive base, so as to foster sustainable non-inflationary growth and correction of imbalances in external payments positions.

Balanced Approach

With respect to the industrial countries, the report suggests that the entrenched problems of severe inflation, slow growth, and high unemployment must be attacked through a balanced approach, involving an integrated use of several policy instruments carefully coordinated to achieve well-defined objectives over the medium term. The report concludes that persistence with firm monetary policies is essential, but that these policies must be accompanied and supported by consistent and firm fiscal policies and by policies to encourage structural adjustment, as well as wage and price flexibility in the labour and goods markets. Premature relaxation of restraint over the growth of nominal demand, the report warns, would risk a reversal of hard-won progress against inflation without opening up a prospect of any sustainable reduction in unemployment.

Regarding the developing countries, the report points out that many of them, especially among those that are not oil exporters, have faced an unfavourable external environment for nearly ten years. This environment was particularly unfavourable in 1980 and 1981, as a result of the 1979-80 increases in oil prices, the recession in the industrial world, and the sharp increase in real interest rates.

Although recognising that achievement of sustainable external payments positions with adequate economic growth will not be an easy task for the non-oil developing countries over the next few years, the report notes that there is much that these countries can do for themselves by pursuing policies to ensure that domestic inflation is reduced and kept at moderate rates, and to foster external adjustment in other ways. In connection with the anti-inflation objective, the report stresses the importance of controlling public sector deficits and domestic liquidity expansion.

USSR's Power Plans

The Leningrad nuclear power station, the biggest of its kind in the USSR, has reached its design capacity of 4,000,000 kws. The experience of its building and operation will be used in the construction of other nuclear stations. At present, eighteen of them are being built in the European USSR. By 1986 Soviet nuclear power stations will triple their output.

S. Korea's Industrial strides

DESPITE THE protracted business recession, the pharmaceutical industry of the Republic of Korea is enjoying a booming business. According to the statistics compiled by the pertinent association, the total turnover in the local pharmaceutical industry last year came to 1,107,600 million won, an increase of 32.2 per cent over the previous year's 838 billion won. The figure shows that the country's pharmaceutical industry is immune to business recession, industry sources said.

Exports of pharmaceutical goods last year also increased by 11.6 per cent over those of the previous year to $87,930,000, while imports decreased to $133,350,000, down 3.6 per cent from a year earlier.

The booming business climate for the pharmaceutical industry is attributed to the growing demand for pharmaceutical goods owing to the expansion of the country's medical insurance system. Besides, pharmaceutical products are by nature recession-proof as demand for popular pharmaceutical good is affected little by the business climate unlike the expensive medical treatment of some expensive pharmaceutical products.

The turnover of the country's 10 major pharmaceutical companies during the first quarter of this year has been tallied at 71 billion won, up 26.1 per cent from the 56.3 billion won registered during the same period last year.

South Korea's iron and steel production capacity increased 34.52 per cent in various categories last year over the preceding year, according to a survey report published by the Korea Iron and Steel Association. It shows that the nation's pig iron production capacity reached 8,019,000 tonnes in 1981, an increase of 52.2 per cent, and its steelmaking capacity was 12,587,000 tonnes, a 34.8 per cent gain.

The Commerce-Industry Ministry of South Korea has worked out a long-term plan to develop the bicycle industry into a leading exporter by 1986. The plan envisages raising the industry's competitiveness to the international level by 1984, at which time the domestic market will be fully opened to imports of foreign products.

Overseas construction contracts won by South Korean builders have been increasing sharply this year. Contracts worth $4,864 million have been secured in the first four months, an increase of 43.9 per cent over the same period last year. Of this, $856 million worth contracts were signed with South-east Asian countries, representing 400 per cent increase over the comparable period of 1981.

Point of View

Banking Profitability : An Overview

Shubhra Garg

The dwindling profitability of commericial banks has caused concern in the banking circles as well as the informed public opinion. The author, who is a Research Fellow, Faculty of Commerce in the Aligarh Muslim University, analyses the causes of the decline and suggests messures which, in her opinion, will shore up profitability in this vital sector of the economy.

THE PROSERITY of an industry essentially depends on its economic viability. This, in turn, depends on the ability to generate adequate surpluses out of its operations for sustaining steady growth. Commercial banking is no exception to this rule as its growth rests on the capacity to generate surpluses from its working. This industry can not subsist on Government subsidies or continued losses. Nationalisation has placed additional responsibility on the banking industry. It has to shoulder the responsibility of growth which implies that commercial banking has not only to go in for development banking but also yield adequate profit. This can be achieved only through sound working, having proper capital-deposit ratio providing quick and adequate service to customers, and following judicious investment policy.

In this article an attempt has been made to examine commercial banks' working from the point of view of profitability and the data covers the period 1956 to 1979. For the purpose of this study, non-scheduled banks are excluded.

Table I reveals that between 1956 to 1961, profits of commercial banks increased from Rs 13.62 crores to Rs 28.27 crores. Their total earnings showed a marked increase from Rs 64.89 crores to Rs 124 crores, while the total earnings nearly doubled during this five year period, the profit before tax as percentage of total eartnings increased from 21 to 23 per cent. The establishment expenses went up from Rs 21.74 crores to Rs 35.83 crores, by about 64 per cent.

The declining trend in banking profits started much before nationalisation. It was noticeable since 1966. The total earnings, of scheduled banks, increased to Rs 421.35 crores by 1969 from Rs 297.59 crores in 1966. The profit before tax to total earnings however, declined from 18 per cent to 11 per cent. The establishment expenses increased to Rs 140.80 crores from Rs 89.88 crores. During the period 1956 to 1969, total earnings increased by about 650 per cent, total expenses went up by over 700 per cent and the profit before tax moved up by about 356 per cent.

The dwindling profitability of commercial banks has understandably caused anxiety and concern among the banking circles as well as the informed public opinion. This trend is not confined to public sector banks alone as similar trends are noticeable in the working of the private sector banks too. Low profitability in the nationalised banking sector, though not justifiable, can be attributed to the fresh and additional responsibilities placed on banks and also the developmental activities undertaken by them. Some of these factors are provision of banking facilities in unbanked areas and towns, recognition of creditworthiness of a project for making advances instead of the creditworthiness of individual borrower, financing of the priority sectors, diversion of investment to the unbanked and under-developed areas, etc...These

TABLE I

Working Results of All Scheduled Commercial Banks : 1956 to 1969

(Rs. crores)

	1956	1961	1966	1967	1968	1969	Percentage Increase 1969 over 1956
Total earnings	64.89	124.00	297.59	342.12	382.50	421.35	649.3
Total expenses, of which :	51.27	95.75	257.97	300.60	337.62	378.85	738.9
(a) Interest on deposits and borrowing, etc.	20.29	44.84	133.53	153.04	169.50	189.45	933.7
(b) Establishment expenses	21.74	35.83	89.88	110.69	127.53	140.66	647.0
Profit before tax	13.62	28.27	39.63	42.12	44.88	48.50	356-0
Ratio of profit before tax to total earning	21	23	13	12	12	11	
Ratio of profit after tax to total working fund	0.6	0.6	0.5	0.4	0.4	0.4	

Source : Reports on Trend & Progress of Banking in India of various years.

causes explain to some extent low profitability in the nationalised sectors.

Data on the profitability of public sector banks upto December 1979 is given in Table II. Table II reveals that the total earnings of public sector banks showed a marked increase during the seven years to 1979 from Rs 754.40 crores in 1973 to Rs 2798 crores. The percentage of profit after tax to total earning declined from 16 on 1973 to 10 in 1979. The total expenditure, including interest on deposit savings, etc, increased from Rs 742.08 crores to Rs 2768.05 crores.

It is obvious therefore that the profitability of banks declined considerably in the Seventies. Some improvement is said to have taken place last year, but this situation still leaves much to be desired. It will be interesting to analyse the various factors which have affected profitability.

The monetary policy of the Reserve Bank of India and its directives to public sector banks have affected the latter's profitability in various ways:

(a) Raising of interest rates on deposits and lowering of interest rates on advances.

(b) Continuous increase in the statutory liquidity requirements of banks i.e. from 25 per cent of total liabilities in 1970 to 34 per cent on 1978 and 35 per cent in 1981.

(c) The bringing down of the maximum interest rate on advances in general till lately in the case of major banks.

(d) Cut in the interest rate on loans upto Rs 2,500 for irrigation, small-scale industry and to small farmers from 11 per cent to 10.5 per cent.

(e) On export credit, the rate was reduced from 12 per cent to 9 per cent and the scope of the DRI advances, which are made at four per cent was enlarged.

With the advent of social control over banking and the subsequent nationalisation of the 14 major banks in 1969, banks have undertaken financing several activities which are in the nature of welfare and developmental activities and opened branches in rural and semi-urban and unbanked areas on a massive scale. The expenditure incurred in running these offices was too high and left practically no margin of profit. During the first decade of nationalisation, all banks were required to deploy at least 1/3rd of their advances in the priority sector, which was less remunerative and even gave negative return as against other types of advances. The recovery of loans from the priority sectors too was sluggish. The other factors lowering the profits are the post 1972 phenomenon of increase in the member of sick mills, RBI directive that more and more funds be invested in Government approved securities which often yielded less profit, inadequate knowledge of the top management of banks about the profitability of various new types of operations they were required to finance, and above all. rising wage bill due to inflation.

The fortune of the banking industry will take a critical turn unless the present policy of the Reserve Bank is not realigned to the realities of the situation. Some of the remedical steps that can be suggested are:

1. Cost reduction may be achieved through saving manpower, space and other resources.

2. The productivity of employees has to be continuously raised by a qualitative improvement by introducing scientific

TABLE II

Working Results of Commercial Banks : 1973-79

(Public Seetor)

(Rs crores)

Particulars	1973	1974	1975	1976	1977	1978	1979	Percentage increase 1979 over 1973
Total earnings	7,54.40	10,40.51	13,05.41	15,99.32	19,39.08	22,44.58	2798	371
Interest & discouut	6,46.99	8,98.65	11,32.67	13,95.56	16,96.28	19,67.98	2468	381
Total expenditure, of which :	7,42.08	10,24.89	12,82.56	15,69.93	19,14.93	22,20.05	2768	370
(a) Interest paid on deposits & borrowing, etc.	3,75.07	5,61.73	7,26.95	10,01.95	12,39.65	14,29.12	1799	479
(b) Salaries, allowancs, provident fund and bonus or ex-gratia payment to staff	3,83.76	3,63.24	4,32.81	4,26.52	4,70.32	5.79.41	718	187
Profit after provision of taxation & bonus or ex-gratia payment to staff.	12.3	15.62	22.85	28.39	24.15	25.83	27.98	226
Ratio of profit after tax to total earnings	16	15	16	18	12	11	10	

Note : Figures relate to the State Bank Group & 14 banks nationalised in 1969.

Source : Profit & Loss Accounts of Banks.

training programmes and providing proper motivation.

3. Suitable adjustment of the liquidity ratio to increase lendable resources of banks.

4. The rate of interest on advances to the priority sectors should range from 10 to 15 per cent and the rate of interest on deposits should be raised to attract more funds.

5. Diversion of deposits from banks should be contained.

6. The policy of differential rate of interest on advances requires a fresh look because under this scheme, small amounts are distributed among a large number of people at the very low rat of interest. It may be suggested tha banks may keep a part of their profi separately for the welfare and development of weaker sections and the task o administration of the funds should be treated separately so that it may not have its impact on the bank profits.

Utilisation of Irrigation Potential

Virendra Agarwala

The Sixth Plan has provided almost as much for irrigation as was called for under a scheme which would ensure cent per cent coverage of irrigable area within 20 years. This means an annual expenditure nearing Rs 2,500 crores. Yet this is not going to take the country anywhere because of the lags in utilisation of the facilities created. The author suggests that the impact of irrigation facilities created be measured in terms of additional production per unit of time and employment as also income generated. The stress, he says, should be on productivity.

FAULTY PLANNING of irrigation schemes, their belated implementation and colossal wastage of public funds have rendered various State Governments incapable of facing up to the challenges of periodic droughts. It is unfortunate that the accent is on the achievement of financial, not physical, targets or schemes. A Central survey report has recently noted that although of all the eastern States, Bihar offers the most ideal soil for rice production, yet it has the lowest per capita yield of 393 kgs per acre, against 461 kgs in West Bengal and 419 kgs in Orissa. Our performance in the sphere of farm production continues to remain poor in spite of the huge outlays on agricultural development. There is no other choice but to raise agricultural productivity if we are keen to perculate the fruits of development planning to the lowest in the rural areas. How to do it is the crucial question.

According to the Government's own estimate, 113 million hectares constitute the total irrigable area in India. Over the 50 years, down to the end of 1980-81, the irrigation potential developed has been 59 million hectares. The gross irrigated area was 22.5 million hectares in 1950-51. The annual addition to irrigated area, thus, has been around 1.23 million hectares over the three decades thereafter. There is a plan for achieving cent per cent coverage of the irrigable areas by creating the potential for the balance of 54 million hectares in 20 years. This calls automatically for a doubling of the figure of the annual additional potential. The Sixth Plan target of creating an additional potential of 14 million hectares (1980-85) seeks to do this. It is made up of Six million hectares for major and medium projects and eight million hectares of minor irrigation schemes. If this tempo is maintained, it should be possible to assure irrigation for the balance acreage as scheduled. It was thought earlier that an investment of Rs 40,000 crores for the 20-year period would suffice. But the latest figure mentioned is Rs 50,000 crores. This implies that the annual outlay on irrigation must exceed Rs 2,500 crores. The Sixth Plan allocation is close to this figure. Therefore, there can be no difficulty on the investment side.

The rub actually lies elsewhere—in the execution of the projects and in ensuring optimal utilisation of the facilities created. It is unfortunate that only half the number of schemes taken up for execution have been completed. The main reasons for this situation are the proliferation of projects resulting in too thin a spread of allocations and expertise, sharp cost escalations, inadequate investigations before taking up projects, difficulties in land acquisition, non-availability of materials such as cement, steel, explosives and machinery, insufficient arrangement for drainage and flow protection, very poor monitoring and absence of detailed plans and of prior action towards the laying out of the distribution system as well as land development. All this also explains why the utilisation of the potential created at great cost has remained so poor. Is it not time that these gaps in irrigation development were eliminated? If the deficiencies in this field are allowed to persist, it will be a mockery of official claims that irrigation facilities have been increased.

Major Achievement

The Government has claimed that 65 of the 82 major projects will get implemented during the Sixth Plan period. It is revealed that against the target of creating an additional potential of 2.5 million hectares in 1980-81, the anticipated achievement was 2.46 million hectares. The shortfall, thus, has been marginal, mostly in the States of Karnataka, Kerala, Orissa and Rajasthan.

In terms of overall performance over the years, Bihar's record has been the poorest. While several other States have provided assured irrigation to 47 to 91 per cent of their total culturable area, Bihar has been able to create irrigation potential for only 26 per cent of its lands. Even out of this, water has actually reached only 18.63 per cent of the area. The Centre is gravely concerned not only over the recurrent crop failures due to drought but also over the colossal wastage of funds in raising the irrigation potential.

It is expected that the global food production would rise in the next 20 years by about 34 per cent over the 1970s level. But most of this increase is anticipated to take place in countries which are already well fed. This will mean food carcity in the Third World. The number f the malnourished may go up from an stimated half a billion in the mid 1970s o 1.3 billion by the year 2000 A.D. and tarvation would claim increasing numers of the babies born. It should reaonably convince us that we must intenify the drive for increased food production.

Easy Target

It is believed that 240 million tonnes of foodgrains production by the end of the century is by no means an impossible target for us. At present, our foodgrains production per hectare is less than half that of Japan or Taiwan. This could certainly be improved with better irrigation, land levelling, consolidation and other modern techniques. Multiple cropping, better seeds, more intensive use of fertilisers and pesticides are the other measures that can help augment our food production. Indian farmers do have the capacity to increase both production and productivity provided they are given the necessary tools and infrastructure by the appropriate authorities.

Whatever irrigation potential we have created, if it is put to the best use, can certainly help raising agricultural productivity which will not only make us self-reliant in farm output but will also raise the living standards of those below the poverty line in the rural areas. The Government has claimed a 43 per cent growth in our exports of agricultural commodities during the first six months of 1981-82. This indicates that a vast potential is yet to be harnessed in boosting agricultural exports.

Currently, the rainfed regions of the country account for 42 per cent of the foodgrains production. Field trials show that a combination of improved seeds and fertilisers can give a benefit-to-cost ratio of 49. The yield response to water is by no means less substantial. In sum, a production gain of 50 to 100 per cent can be achieved. Dr Leslie D. Swindale had recently shown the technical and economic feasibility of boosting the production of coarse grains and of other rainfed crops including pulses and cotton. The experience of yield gains cited by him justify his plea for new initiative in boosting production in the 72 million hectares where agricultural production will remain rainfed even after the end of the current decade, keeping in mind that extension of irrigation during the eighties will take the share of irrigated area in the total cultivated area to not more than 50 per cent. There is need for the formulation of sound practices in each of these areas that are specially adapted to such conditions. Equally, we need to identify the more effective practices and test them under different conditions. To be really effective, however, technology has to be demonstrated. Whether this is in the form of new inputs or new practices, technology cannot be effective unless it is properly applied. It is unfortunate that after three decades of planning, extension services remain the weakest link in the critical, heavily populated, poverty-stricken central tracts of the country.

Poor water management has created a serious situation in certain States. There is a wide gap between irrigation potential available and actual utilisation. No purpose is served by just giving figures of area under irrigation without an accompanying statement on the impact of water on productivity. It is no use raising irrigation potential if it fails to augment farm output in the same proportion, if not more. It is high time that its impact was measured in terms of additional production per unit of time and employment and income generated, while its negative aspect must not be overlooked.

It is heartening that the main problems involved in completing major projects in time have been identified. The Sixth Plan envisages speedy completion of as many on-going major schemes as is technically and financially feasible and completion of all the on-going medium schemes except for some taken up during the last two or three years of the Plan which might spill over the Seventh Plan.

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Central Bank of India

Condensed Balance Sheet as at 31st December, 1981

LIABILITIES

	Rs. P.
1. Capital	4,75,14,600.00
2. Reserve Fund & Other Reserves	18,96,94,069.75
3. Deposits & Other Accounts	32,67,62,28,855.81
4. Borrowings from Other Banks, Agents, etc.	1,27,20,81,101.89
5. Bills Payable	62,01,23,727.67
6. Bills for Collection being Bills Receivable as per contra	1,84,95,84,595.12
7. Other Liabilities	8,35,17,818.20
8. Acceptances, Endorsements & other obligations as per contra	1,56,35,99,480.42
9. Profit & Loss	25,43,989.86
TOTAL	38,30,48,88,238.72

ASSETS

	Rs. P.
1. Cash	3,70,72,23,098.82
2. Balances with other Banks	23,53,84,619.13
3. Money at Call & Short Notice	18,47,77,500.00
4. Investments	9,38,40,21,025.65
5. Advances	19,85,35,15,358.59
6. Bills Receivable being Bills for Collection as per contra	1,84,95,84,595.12
7. Constituents' Liabilities for Acceptances, Endorsements & Other Obligations as per contra	1,56,35,99,480.42
8. Land & Buildings	4,82,03,865.89
9. Furniture & Fixtures	12,29,75,377.96
10. Other Assets	1,35,55,57,291.61
11. Non-Banking Assets acquired in satisfaction of claims	46,025.53
TOTAL	38,30,48,88,238.72

Interpub 82

Demand for Carburettors and Clutch Plates

Carburettors

THERE ARE at present seven units licensed or manufacture of carburettors with a otal capacity, of 13.76 lakhs. The otal installed capacity, however, is estimated around 10 lakhs. Of these units, only one unit manufactures arburettors for cars and jeeps. All other carburettor manufacturers produce arburettors mainly for two-wheelers and hree-wheelers.

The production of carburettors during he last few years has been as under In lakhs): 1976-77—3.04; 1977-78—.36; 1978-79—4.50.

Separate figures of import for carbuettors are not available. However, it s estimated that by and large the requirements of original equipment manufacturers are being met through ndigenous sources. The main raw materials required for the manufacture of carburettors are mazak alloy, brass and some small quantities of steel and plastic. Most of the raw materials are available indigenously.

The demand for carburettors arises mainly from original equipment manufacturers and to a small extent from replacement requirements. It is estimated that the demand for carburettors by 1982-83 may be 900,000 per annum. The existing capacity installed is sufficient to take care of the equipment by 1982-83. However, in respect of carburettors for cars and jeeps, at present, there being a single source, proposals for manufacture of such carburettors are being considered on merit. It may, however, be more economical for the existing manufacturers of carburettors for cars and jeeps to expand than creating additional capacity through a new unit because of limited demand from this sector.

Carburettor Manufacturers

1. M/s. Carburettors Limited, 29, Mount Road, Madras.
2. M/s Spaco Carburettors (I) Ltd, PO Box No 13, Chinchwad, Poona.
3. M/s Indian Carburettors, 36-B Anna Salai, Madras.
4. M/s Injecto Private Ltd, 20/5, Mathura Road, Faridabad.
5. M/s Jetex Carburettors Pvt Ltd, Mayur 8, N.S. Road Vile Parle, Bombay.
6. M/s Escorts Employees Ancillaries Ltd, 20/4, Mathura Road, Faridabad (Haryana).
7. M/s Deckay Automotive Products Ltd, N.K.M. International House, Fourth Floor, 178, Backbay Reclamation, Bombay.

Clutch Assembly and Clutch Plates

There are at present eight units manufacturing clutch assembly and clutch plates with a total capacity of 581,720 and 1,253,520 respectively. The capacity for clutch assembly and clutch plates to the extent of 36,000 and 156,000 is inoperative as the unit concerned has remained closed for a few years.

The production of clutch assembly and clutch plates during the last three years has been as under;

Year	Clutch Assembly	Clutch Plates
1976-77	2.76	4.27
1977-78	1.37	4 63
1978-79	2.35	6.40

Separate figures of import of clutch assembly and clutch plates are not available. However, it is estimated that by and large the requirements are met through indigenous sources. The main raw materials required for the manufacture of clutch assembly are alloy steel plates, sheets and certain forgings. For clutch plates, friction material is also required in addition to the above raw materials.

The requirement of clutch plates and clutch assembly arises from original equipment manufacturers and replacement requirements. The replacement requirement is mainly for clutch plates. It is estimated that based upon present production and anticipated growth for auto ancillaries, the requirements of clutch assembly and clutch plates by 1982-83 would be 400,000 and 1,030,000 respectively. Expansion of the existing units for meeting the increased demand potential is being encouraged.

Selected Clutch Assembly and Clutch Plate Manufaturers

1. M/s Automobile Products of India Ltd, Lal Bahadur Shastri Marg, Bhandup, Bombay.
2. M/s Clutch Auto Private Ltd, 304, Rohit House, Tolstoy Marg, New Delhi.
3. M/s Mahindra Spicer Limited, Wavell House, 15 J.N. Heredia Marg, Ballard Estate, Bombay.
4. M/s Amalgamations Repco Ltd, G.N.T. Road, Madhavaram, Madras.
5. M/s Sirocco Auto Private Ltd, 9, Southern Avenue, Maharani Bagh New Delhi.
6. M/s Rane Madras Ltd, Maithri, 19, Cathedral Road, Madras.
7. M/s Ceekay Automotive Products Ltd, N.K.M. International House, 4th Floor 178, Backbay Reclamation, Bombay.
8. M/s Rane Brake Linings Ltd, "Maithri", 19, Cathedral Road, Madras.

SHRI ROHIT C. MEHTA

GNFC, the largest number of shareholders in the country 4.87 lakhs..... the largest number of farmer shareholders 1.29 lakhs..... Capacity production achieved..... Jumbo rakes moving Narmada Urea to Punjab, Haryana, Uttar Pradesh, Madhya Pradesh, Rajasthan..... Govt. of India's pragmatic pricing policy beneficial..... Planned Diversification.....

Chairman's Speech.

Ladies and Gentlemen,

It is indeed my great privilege and pleasure to extend to you all a very warm welcome to the 6th Annual General Meeting of your Company. In fact, this is the first meeting of shareholders after your Company went for an equity issue of Rs. 43.61 crores in April-May, 1981. After allotment of shares on 17th July 1981, we had 4,87,804 shareholders. Even today, your Company is having the largest number of shareholders in India and is ranking 6th in the world in terms of the number of shareholders of a single Company. I am also happy to state that we have around 1,29,000 Farmers,1950 Co-operative Societies and 7,388 Non-Resident Indians as our shareholders. The Directors' Report and Audited Accounts for the financial year ended on 31st December 1981 have been in your hands for quite some time. May I, therefore, with your permission, take them as read?

THE YEAR IN RETROSPECT:

You would have observed from the Directors' Report that the Company's project has been completed and commissioned successfully. In this month of May, we expect to produce around 30,000 tonnes of Urea, i.e. 60% of our rated plant capacity. The highest daily production during the month was 1350 tonnes of Ammonia and over 1800 tonnes of Urea which works out to 100% of the installed capacity. This establishes that our plants are capable of running at full capacity. From June 1982 onwards, we expect to be able to run the plant on the basis of regular commercial production.

Inspite of a few months delay in achieving commercial production, I am happy to say that we hope to complete the project within the estimated cost of Rs. 445 crores.

RETENTION PRICE:

As you know, in the contemporary circumstances of continued global inflationary trends, capital cost of establishing fertilizer plants, and for that matter any other capital intensive industry is escalating very fast. This poses the crucial problem of deciding on prices of fertilizers which are both remunerative to the industry but at the same time do not create consumer resistance, or jeopardise the national goal of achieving high rates of fertilizer application to achieve sustained growth in agricultural production. The Government of India since last quinquenium, had adopted a pragmatic pricing policy to achieve both these ends.

On the basis of recommendations made by the Marathe Committee, the Government of India is fixing prices of fertilizers ensuring 12 per cent post-tax return on the net worth to manufacturers as well as make fertilizers available to farmers at reasonable prices. Under this scheme, the highly capital intensive plants like ours get a good deal of relief.

SURPLUS AMMONIA:

The plants have a built-in capacity for 270 TPD excess Ammonia. In view of the differential fuel oil price for use in fertilizer and non-fertilizer industry, and the limited market for the industrial use of Ammonia, Government of India had agreed that even the surplus Ammonia sold for fertilizer use would be covered under the retention price scheme. However, the Government is re-considering this policy and if it finally takes a view that GNFC's sale of Ammonia for fertilizer use by other factories even in the replacement of imported ammonia will not be covered under the retention price scheme, the profitability of GNFC will be affected. The Company has made representations to the Government of India in this regard and a favourable view is expected.

MARKETING:

Presently, the fertilizer industry is passing through a critical situation as there is an unprecedented glut of fertilizers in the market. Inspite of this, your Company has sufficiently geared up to market its Narmada Urea. As per the allocations made by Government of India, the Company's market for its 'Narmada Urea' would be largely in Gujarat, Madhya Pradesh, Punjab, Haryana, Uttar Pradesh and Rajasthan. The Company has started to move 'Narmada Urea' to these regions through Jumbo-rakes. Therefore, the Company's marketing operations will have to depend largely upon the availability of an adequate number of rakes for transport of 'Narmada Urea' to all the different locations in these regions. I am happy to inform you that the Company has already made planning for rail movements and sufficient arrangements for storing adequate Narmada Urea in these regions to take care of seasonal fluctuations in demand.

DIVERSIFICATION:

In the first two years of production itself, the Company will have substantial cash accruals and therefore, it has already planned for expansion/diversification schemes. M/s Projects & Development Limited, New Delhi (P&D) have carried out basic analysis followed by field survey and have indentified following projects for our consideration:

1. Nitric Acid alongwith Ammonium Nitrate;
2. Soda Ash alongwith Ammonium Chloride;
3. Formic Acid; and
4. Hydrazine.

The detailed feasibility reports with respect to first three projects have been received and are under our scrutiny. The Company has requested M/s P&D to prepare a feasibility report for the second train of Urea of the capacity of 1100 tonnes per day. The project profile for the second train of Urea has also been received and the same is under study. The Company is already implementing the methanol project on behalf of Gujarat Amino Chem Limited which is being financed presently by Gujarat Industrial Investment Corporation. The Company is also considering to have a Captive Power Generation Project to reduce the dependence on outside power supply and to make optimum utilization of the steam generation facilities available within your Company.

ACKNOWLEDGEMENTS:

In the end, I would like to convey our grateful thanks to the Government of India, KFW, IDBI and other financial institutions and commercial banks but for whose active support, help and co-operation, the project would not have reached this stage. I,on your behalf and on behalf of the Board, would like to place on record our deep sense of gratitude for all the support and guidance given to your Company by our promoters, viz. Government of Gujarat and Gujarat State Fertilizers Company Limited. I sincerely thank my collegues on the Board for their guidance, assistance and full co-operation. I must particularly record my sincere appreciation of Shri S.J. Coelho, the Managing Director of the Company, who retired from the services recently, for his untiring efforts, complete involvement and total devotion which helped substantially to reach this gratifying stage in our project.

I am happy to state that in place of Shri S.J. Coelho, we have been able to obtain the services of Shri N. Vittal, who is one of the highly efficient and widely experienced IAS officers of Government of Gujarat, as Managing Director with effect from 30th April, 1982.

Lastly, you may like to join me in conveying our appreciation to all the employees of the Company for their devotion to duty and good team spirit during the construction and commissioning of the project.

JAI HIND

Statement of SHRI ROHIT C. MEHTA, Chairman, Gujarat Narmada Valley Fertilizers Company Limited, at the 6th Annual General Meeting of the Company held on 28th May 1982 at 11.00 AM at the Registered Office of the Company.

This does not purport to be the proceedings of the Annual General Meeting.

Gujarat Narmada Valley Fertilizers Company Limited

Registered Office P.O. Narmadanagar, 392 015 Dist. Bharuch, Gujarat

TATE OF THE CONOMY

wellery Exports

HANDICRAFTS and Hand- ms Export Corporation planned to double the ort of gold jewellery, to Rs crore during 1982-83— Rs crore during the three exhi- ons it plans to hold and Rs crores through routine ex- s.

uring 1981-82, the export jewellery was valued at Rs 1 crore. During April and y alone this year exports hed Rs 10 crore.

early 90 per cent of the an gold jewellery were ex- ed to the Gulf countries.

team of jewellers, led by s Sunanda Tawadey, Addit- l Manager of the corpora- left recently for Doha and rjah to survey and assess potential. It will also visit ai and Abu Dhabi.

n exhibition of gold jewel- —both plain and stone- lded—will be held in Dec- er in Kuwait and another he United Arab Emirates a third in Doha before .

Miss Tawadey stated on the of her departure that the ularity of India made jewe- in Kuwait and some r Gulf-countries was ething to be seen to be eved.

sked to what she attributed popularity of Indian jewel- ,, Miss Tawadey said the ety of workmanship attrac- the attention of every pot- al buyer.

e beauty of the handmade llery was in contrast to machine pressed jewellery ibited by some of the West- countries. Besides, some of buyers had said that they ght Indian jewellery because they were sentimentally attached to this country.

Public Sector Steel Output

Steel production in the public sector steel plants at 426,000 tonnes was 43,700 tonnes more than the previous month's output. Even when compared with the corresponding period last year, their output was up by 13,000 tonnes.

According to a SAIL press release, severe power restrictions continued to be felt by the Rourkela Steel Plant while the Durgapur Steel Plant also suffered considerably. But for the total loss in output estimated at 53,000 tonnes due to powers shortages, the performance of these public sector steel plants would have been even better.

Power restrictions also hampered the working of the sintering units affecting blast furnace operations. The Rourkela fertiliser plant had to be shut down during the month in order to keep essential services in the steel plant going.

The alloys steel plant at Durgapur produced 4,150 tonnes of saleable alloy steels, registering an increase of 60 tonnes over the previous month's output. Compared with the corresponding period last year, the increase was 1,157 tonnes or by 38.2 per cent.

Engineering Exports to Australia

A substantial jump in the exports of engineering goods to Australia is now on the cards. In the next few years, exports are expected to go up from the present level of Rs 14 crores to Rs 70 crores.

According to the Engineering Export Promotion Council (EEPC), the scope for boosting exports of engineering goods to Australia has gone up because of the massive developmental activities proposed by that country. Australia proposes to generate a huge investment of $ 33 billion for its development programme covering major sectors like mining and coal.

The areas of immediate potential for India include heavy engineering equipment and capital goods comprising mining epuipment and machinery, construction machinery and equipment, mechanical handling items like cranes, hoists and conveyor systems, heavy duty truck chassis, jeeps; technical services including consultancy; construction of roads, bridges and townships; metal and mineral based industry like iron and steel, aluminium, lead, copper and hydrocarbon.

Yet another reason for the optimism on the Australian front is that that county is suffering from high cost of labour. It is anxiously looking foreward for supplies from various sources especially the developing countries. It ts interesting to note that even though the UK used to be the major exporter of goods and services, it has been eased out by countries in the European Economic Community (EEC), the US and Japan.

The EEPC, which had sent an eight-man delegation to Australia recently, has noted in its report that this is the most opportune time for India to cash in on the opportunities available in that country. It has suggested some steps which if followed would enable India to raise its exports to Australia substantially.

Wagon Prices

The Union government has decided to review the price structure of the domestic wagon building industry in an effort to remove the cnrrent disparity in their prlces.

For this purpose, it has decided to constitute a high power inter-Ministerial committee under the Chairmanship of Dr. A. K. Ghosh, Chairman Bureau of Industrial Costs and Prices (BICP) drawing representative from the Ministries of Industry, Railway, Finance and the Planning Commission.

This has been necessiated by the gradually enlarging differential in the prices of the various types of wagons being made by the different manufacturers and the consequent difficulties being faced by the railways in making price adjustments.

There are in all nine wagon manufacturers in the country of which the single largest number of four units are located in the Eastern Region essentially Calcutta. These include three public sector units of Burn Standard, Braithwaite and Company and Jessops and Company and Texmaco in the private sector. The remaining units are spread out in the other parts of the country.

An analysis of the price structure of the wagon industry shows that the differential in the prices is mainly because of the four units in the Eastern Region whose costs are phenomenally higher than those located in the other parts of the country.

Railway Delegation for China

A high-level delegation headed by the Railway Board Chairman, Mr M. S. Gujral left recently for Beijing to explore areas of bilateral cooperation. During its week-long stay in China members of the delegation will visit railway in stallations and work centres there.

The seven-member team will return on June 15 via Hong Kong, according to an official press note.

The other six members of the delegation are: Mr A. V. Poulose, financial commissioner Railway Board, M. C. M. Malik, director, mechanical engineering, Railway Board, Mr M. N. Prasad, chief engineer, (construction), Southern Railway, Mr K. Subramaniayan, chief signal and telecommunication engineer Eastern Railway, Mr H. C. Johri, director (planning), and Mr R. Dayal, additional director, both of Railway Board.

The press not said that the

official team will "explore areas of bilateral cooperation and relation between the Chinese railways and the Indian Railways so as to optimise the utilisation of existing assets on the Indian Railways."

The Chinese and the Indian Railways have common problems of population, long route kilometerage and steam technology. Both have done a lot of work during the last 30 years for rehabilitation and expansion of their systems. Like the Indian Railways the Chinese are also using large percentage of steam locomotives. They have also improved efficiency and productivity in the recent past.

It will be recalled that a delegation led by one of the Ministers from China had attended the conference of top railway executives of Asia and Middle-East hosted in October, 1981, by the Government of India in New Delhi. The delegation had also extended invitation to the Indian Railways to visit China for identifying areas of mutual cooperation, establishing closer contacts and for exchange of ideas and expertise in various fields of operation.

Higher Growth Rate in Drug Industry

The organised sector in the drug industry has been allowed a growth rate of 25 per cent for the first time under the new distribution policy for canalised drug items (raw materials) finalised by the Government for 1982-83.

Under the policy, approved by the Ministry of petroleum and Chemicals, the organised sector including foreign firms, can also claim as much quantity of raw materials as required to increase production.

The new policy for canalised drugs, required in the manufacture of medicines, envisages increased production and removal of shortages.

Official sources today described it as a "growth criented and liberal" policy which allow increased production in all sectors of the drug industry.

The units in the organised sector— both Indian and foreign companies—are entitled canalised raw materials on the basis of their licensed capacities plus a growth rate of 25 per cent.

For drawing additional raw materials the unit concerned has to furnish utilisation certificate regarding consumption of previously allocated canalised drugs.

The new policy says that in cases where licensed capacities are not fixed canalised drugs will be given on the basis of their last year's entitlement for the time being.

The total number of canalised drugs has been increased in this year's import policy. One sulpha methoxazole—has deleted from last year as it is now being pro indigenouslv in ad quantity.

Meanwhile, two new it aspirin and vitamin 'A'- been added.

Official sources clarified

Since light has no form,
Bajaj gives it many shapes and sizes.
DECORATIVE
BJMP 420
BJGL 240
BJMP 240
INDUSTRIAL
BJFP 150
BJHBI 250/400
BJI 240 DP
BJEF 12/16/18
BJPTI 80/125
BJEF 22
BJMIP 80/125
OUTDOOR
bajaj LUMINAIRES
The lighting people since 1938.
bajaj

Heros' BE-639A R

those canalised raw materi-
vhich are not indigenously
lable are being imported.

ne companies under the
ll-scale sector will be allowed
aw materials on the basis
neir last year's entitlement
a growth rate of 50 per
, according to the new
cy.

ith regard to the two new
lised items, units in the
nised sector having specific
nulation capacities will
llowed to draw them on the
s of their licensed capacity
25 per cent of growth
.

cise Duty ncession for Resins

ith a view to promoting the
wth of the thermosetting
ns and engineering plastics
stry, Government has redu-
the Central excise duty on
following items to 15.75 per
ad Valorem. 1. Phenol for-
dehyde resins. 2. Urea for-
dehyde resins. 3.Melamine
naldehyde resins. 4. Polyes-
resins. 5. Epoxy resins. 6.
ene acrylonitrile. 7. Nylon
ns. 8. Polymethyl metha-
ate. 9. Polyphenylene exide.
Polybutyl terepthalate. 11.
lonitrile butadiene styrene
ns. 12. Polycarbonates. 13
acetals resins. 14. Polytet-
uoroethylene. 15. Polysul-
nes. 16. Polystyrene resins.
reduction took effect from
3, 1982.

gar Output

ccording to the Indian
ar Mills Association, the su-
production during the se-
d fortnight of April, 1982
16.4.82 to 30.4.1982) was
ut 531,000 tonnes as agai-
150,000 tonnes during the
e fortnight last year. The
l production in the month
April, 1982 the seventh
nth of the season 1981,82
about 11,41,000 tonnes as
inst 405,000 tonnes during
same month last season.
s brings the total output
ing the first seven months
the season 1981-82 to
36,000 tonnes as against
50,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the second fortnight of April was about 2,55,000 tonnes for internal consumption and 3,000 tonnes for exports as against 195,000 tonnes for internal consumption and nil for export during the same fortnight last season. The despatches during the month of April, 1982 were 440,000 tonnes for internal consumption 17,000 tonnes for exports as against 392,000 tonnes for internal consumption and 7,000 tonnes for exports during the same month last season. The total off-take in the first seven months in 1981-82 was 27,97,000 tonnes for internal consumption and 208,000 tonnes for exports as against 25,89,000 tonnes for internal consumption and 60,000 tonnes for exports during the corresponding period last season.

The total closing stocks of sugar with the factories as on April 30, 1982 was about 49,10,000 tonnes as against 25,89,000 on the same date last year.

Price of X-Ray Film Revised

Owing to the impact of the auxiliary duty imposed in the last budget on certain inputs and other market constraints, Hindustan Photo Films Ltd, has announced a revision in some of its products with effect from June 1, 1982. The products whose prices have been revised are: 1. X-ray Film—An increase of 25 paise per sheet of 12"X15" size with prorata increase in other sizes (which will work out to 2.4 percent approximately) 2. Op-K Super Film—An increase of 12 paise per sheet of 12"x15'; size with prorata increase in other sizes (which will work out to 1.65 per cent approximately). 3. Roll Film—Increase of 6.85 per cent For NP 22 and a reduction of 5 per cent for Agfa Superpan 200 ASA (resulting in a revised price of Rs 9.50 per roll) 4. Paper (SW & DW)—3.00 per cent increase. With a view to overcoming the shortage of X-ray films Hindustan Photo Films Ltd has taken steps to ensure that such films are available on demand in all depots by July, 1982. It is also proposed to build up sufficient buffer stock for supplies in all parts of the country.

Export Duty on Coffee Cut

The Union Government reduced the export duty on coffee from Rs 500 per quintal to Rs 120 a quintal. A Finance Ministry press note stated that the duty has been reduced keeping in view the steep fall in the international price of coffee.

Exports of Kirilac and Molamma

The Union Government has partially lifted the ban on the export of kirilac and molamma.

A public notice issued by the Chief Controller of Imports and Exports stated that these two items would be allowed to be exported in limited quanties through the State Trading Corporation.

Minimum export price per bag of 75 kgs has also been fixed for these two items. The details are:

Kiri I: Kirilac (having lac content between 55 per cent and 65 per cent) Rs 165.

Kiri II: Kirilac (having lac content between 40 per cent and 55 per cent) Rs 125.

Molamma I: Dogale/seedlac seivings (having lac content between 70 per cent and 80 per cent and passing through a 30 mesh seive) Rs 287

Export of Molamma II (with lac content 55 per cent to 70 per cent) is not allowed.

BHEL Wins New Order

The state-owned Bharat Heavy Electricals Limited (BHEL) by its new price policy has at least succeeded in outbidding yet another foreign supplier — Alsthom Atlantic of France in the domestic market.

This follows the Government's decision to award the Rs 320-crore order to BHEL for the setting up of a giant captive power plant for the public sector National Aluminium Company (NALCO), against stiff international competition.

BHEL which quoted for this project against a global tender found its only shortlisted rival in Alsthom Atlantic.

The price differential was so large that the bagging of the order by BHEL was a foregone conclusion-

Savings for Development

The Union Finance Minister, Mr Pranab Mukherjee, emphasised the need for mobilising small savings to augment resources for meeting the genuine credit needs of higher production and better infrastructural facilities. The Minister, who was launching the 'Social Security Certificate Scheme' recently said that with the infrastructural facilities provided by the P&T department through its vast network of post offices, the small savings campaign had reached the common man in the remotest and most inaccessible parts of the country.

Paying a tribute to the "habit of thrift and good sense of our people," Mr Mukherjee said small savings had increased from Rs 404 crore in 1976-77 to nearly Rs 1400 crore in 1981-82. The Minister said there was a tremendous scope in both rural and urban areas for tapping household savings, both from the organised and the unorganised sectors. He said the tapping of these would not only enable a higher rate of investment but also moderate inflationary pressures in the economy by curbing consumption.

Lauding the 'Social Security Certificate Scheme" the Communication Minister, Mr C. M. Stephen, said the scheme combined the saving aspect with social security. He said the scheme was bound to be a roaring success in the rural areas "where real India exists."

Giving the details of post office savings in the country, he said that while only 40 lakh accounts existed in 1947, today there were 5 crore accounts.

Savings were only Rs 180 crore in 1947. Now the savings had touched the Rs 9,000-crore mark.

The Deputy Minister of finance, Mr Janardhan poojary, said the small savings were likely to net Rs 1,400 crore against the target of Rs 1,300 crore for 1981.82. "This gives us the confidence that the Sixth Five Year Plan target of Rs 6,463 crore for small savings will be exceeded," he said.

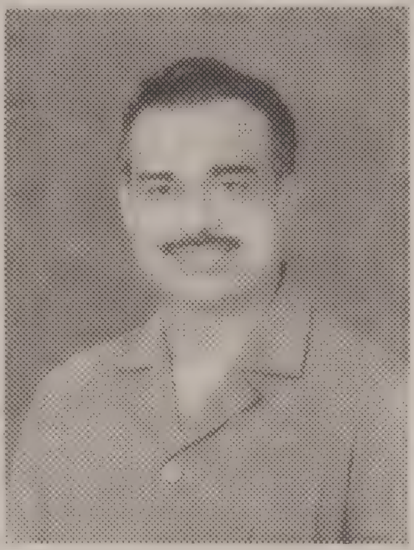
Individuals of either sex in the 18-45 age-group can buy the SocialSecurity Certificates, which are available in denominations of Rs 500 and Rs 1,000, up to an amount of Rs 5,000. The principal amount will triple in ten years as the maturity value of the certificates has been worked out on the interest rate of 11.3 per cent compounded half-yearly. If need be the certificates can be encashed after three years.

The certificates can be pledged as security, and loans can be raised against them. In the event of the investor's death, the nominee of the legal heir would be entitled to the full maturity value of the certificates free of income-tax. This benefit is available if the death occurs by accident within the first two years or later by any other cause before the date of maturity of the certificate.

Names in the News

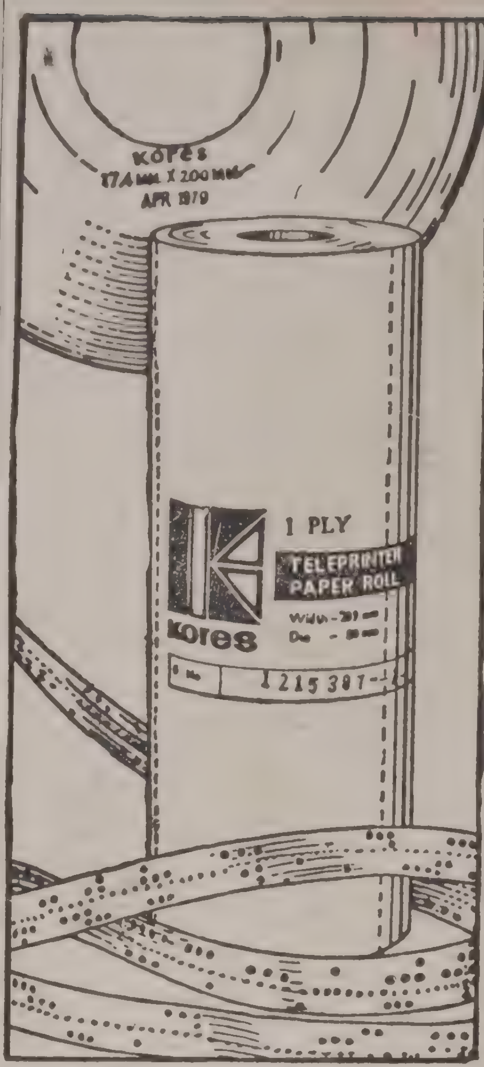
R. V. Murthy Ad Amritotsava Committee, set up under the chairmanship of HUDCO chief, Mr H.T. Parekh, will be felicitating later this month Mr R.V. Murthy on his 75th birthday for his multifarious contributions to journalism, education. economics and culture. A publication is being brought out on this occasion containing Mr Murthy's contributions to these fields. A large number of dignatories, including Mr K.K. Birla, Mr N.A. Palkhiwala, Mr Ramakrishna Bajaj, Mr Lalchand Hirachand, Mr S. P. Godrej, Dr V. Subramaniam, Dr Raja Ramanna, Mr Harish Mahindra, Mr M. R. Masani, Mr J. H. Doshi, Mr Piloo Mody, Mr H. Y. S. Prasad, M Vadilal Dagli and Mr G. M. Laud, are associating themselves with the committee as patrons. Mr Murthy had a distinguished career in journallism and was closely associated with *Eastern Economist* for over two decades as its special representative in Bombay and Editor of its allied publication "Records and Statistics". Having served *Commerce* earlier, he edited *Bharat*, which was to be the first economic daily in the country, in the early 1950s. Besides Eastern Economist, Mr Murthy represented in Bombay The *Hindustan Times* till his retirement a few years ago.

Mr P. R. Krishnaswamy has taken over as Special Director-Finance of Tube Investments of India Ltd., and its subsidiaries. Prior to joining TII, he was in Nairobi (Kenya) as Financial Controller of a multi-million dollar sugar project funded by World Bank, EIB, ADB, EADB.



Mr P. R. Krishnaswamy

Mangalore University has awarded its first doctorate in Banking to **Mr K.K Ammannaya,** Deputy Personnel Manager, Syndicate Bank for his thesis on "Performance Budgeting and Employee Particition—A Participation Model for Indian Banking Industry", the research work, which he completed in a record period of two years. Mr. Ammannaya has to his credit over 300 articles on banking, finance and management topics published in various papers and periodicals and over 100 articles in Kannada, a remarkable achievement indeed for a young person of thirty five years.



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Branches all over

COMPANY AFFAIRS

nlop India

NLOP INDIA had a good
st quarter start in 1982
th improved production in
factories, higher sales and
ofits. Mr L.J. Tompsett
BE, Chairman of Dunlop
dia, told shareholders at
56th annual general meet-
g in Calcutta recently that
company had received
letter of intent for the
pansion of its rubber con-
yor belting capacity by
0,000 metres and steps are
ing taken to implement this
pansion as quickly as pos-
le.

The Dunlop Chairman an-
unced the successful imple-
entation of the Rs 30-crore
st phase of modernisation
Sahaganj and said that the
mpany has plans to move
to the second phase and
so to start a progressive pro-
amme of modernisation for
Ambattur factory, Tamil-
du, which is now over 20
ars old.

Emphasising the need for
cal concessions for moder-
sation of old units Mr
ompsett said: "We are
aced at a distinct disad-
ntage to newer units who
joy a subsidy amounting
25 per cent of the excise
ty which they pay. There
ems to me a fully justifiable
se for treating expenditure
modernisation in the same
anner as expenditure for
w capacity for the purposes
f concessions."

The company's R&D
ctivities have been consi-
erably strengthened and re-
ently a major breakthrough
as achieved by developing
bicycle tyre without any
etroleum based raw materials.
Work is now going ahead to
roduce these tyres on a
ommercial scale.

Dunlop India has successfully introduced a super heavy duty truck tyre for carrying heavy loads over long distances. For the first time in India, a nyoln light truck tyre with a high life expectancy and new ranges of tyres for motorcycles and mopeds have been developed. To take care of the increasing dual usage tractors for agricultural and haulage operations, a new design of tractor tyre was introduced. Consumer response to the Dunlop all-textile radial car tyre has been particularly encouraging.

Mr Tompsett told shareholders that for the first time in India, Dunlop succeeded in 1981 in developing fire-resistant rubber conveyor belting for super thermal power projects, chemical-resistant belting for fertiliser factories and a high strength PVC belting for undergroumd usage. The all synthetic Dunlop Starflex conveyor belting has also earned a very high degree of consumer preference.

Corporation Bank

Corporation Bank has crossed yet another landmark in deposits. The total deposits of the bank have increased from Rs 307.95 crores in 1980 to Rs 356.98 crores as on December 31, 1981, registering a growth rate of 15.9 per cent. The bank showed increased profitability and a considerable growth in priority sector advances during the year.

During 1982, the total advances of the bank increased to Rs 191 crores from Rs 161.08 crores in 1980, reflecting a growth rate of 18.6 per cent. Out of the incremental credit of Rs 29.92 crores, advances to priority sectors accounted for Rs 20.07 crores or 67.1 per cent of the total accrual in the advances portfolio. The total priority sector advances outstanding as on December 31, 1981 were Rs 71.55 crores or 37.5 per cent of the total advances against the target of 34 per cent set by the bank for 1981 and against 32 per cent achieved in 1980.

Greater importance was given to the implementation of the 20-point Economic Programme by participation in special schemes for self-employment of the rural poor. The bank's financial assistance under the Integrated Rural Development Programme during the year stood at about Rs 145 lakhs spread over 6000 accounts. The bank's advances to the export sector have steadily grown from Rs 28.10 crores in 1979 to Rs 31.84 crores in 1980 and sttod at Rs 37.09 crores at the end of 1981.

The bank continues to be a front-liner in foreign exchange operations in the country and has won the coveted award for financing of gems and jewellery exports instituted for the first time by the Gems and jewellery Export Promotion Council, for the bank category. The net profit of the bank has increased from Rs 77.30 lakhs in 1980 to Rs 99.44 lakhs in 1981.

During 1981, the bank opened 17 new branches. As at the end of 1981, the bank had a network of 340 branches spread over 13 states and three union territories. Of these, 209 branches, comprising 61.5 per cent of the total branches, are situated in rural and semi-urban centres.

The bank is poised for growth—both in resource mobilisation as well as deployment of credit to weaker sections during the year 1982. The bank's deposits sre expected to touch Rs 425 crores by the end of 1982 and Rs 500 crores by the end of 1983.

Rise in Turnover of Straw Products

During the year under report, Sales and other income of Straw Products Ltd rose to Rs 60.56 crores from Rs 49.56 crores in 1980 registering an increase of 22.2 per cent. The sales of paper and boards were higher by 14.7 per cent at Rs 47.41 crores. The sales of dry cell batteries continued to rise at a rapid rate registering an increase of 58.8 per cent during the year. In two years, sales have risen by two and half times from Rs 4.38 crores in 1979 to Rs 11.29 crores in 1981. The profits have shown an improvement over last year and the company's performance during the year under report is considered to be satisfactory keeping in view the all-round increase in manufacturing costs and the various constraints like power cuts/interruptions, inadequate availability of railway wagons and sluggish market conditions.

Gross Profit

The gross profit during the year was around Rs 7.43 crores. After making provision for depreciation and taxation there was a surplus of Rs 3.87 crores. A dividend of 20 per cent was announced by the Directors.

The production of paper and board at the paper mills and the board mills of the company during the year was marginally higher at 61,547 tonnes against 60,294 tonnse in the previous year. The production would have been still higher but for the power cuts and power interruptions, disruption of work owing to intra-union rivalries at the paper mills and labour trouble at the board mills involving loss of production.

The Directors have pointed out that since the middle of 1981, paper industry has been experiencing a demand recession. This may largely be attributed to inflationary conditions and tightness in the money market resulting from credit control measures imposed by the banking sector. The conditions have been aggravated on account of substantial imports of paper by the Government.

In addition to the expansion in the capacity of production of paper by 5,000 tonnes per annum at J.K. Paper Mills completed last year, expansion to increase the production by further 2,000 tonnes per annum is under implementation and is expected to be completed during the current year. At the board mills, the expansion in the capacity for manufacture of straw board from 6,000 tonnes per annum to 7,350 tonnes per annum and M.G. industrial packaging and base paper from 5,500 tonnes per annum to 7,600 tonnes per annum has been completed during the year.

The operations of the Batteries Division during the year under review showed significant improvement over the performance in 1980 which was also substantially higher as compared to the preceding years. The production at 72.49 million cells was 37 per cent higher over the previous year's production of 53.03 million cells. The domestic sales at 53.33 million cells were higher by 35 per cent over the achievement of 39.56 million cells during the year 1980.

The cement project of the company with an annual installed capacity for manufacture of 500,000 tonnes per annum of Portland Cement is fast coming up at Jaykaypuram, district Sirohi, a backward district of Rajasthan.

L & T Debentures

Larsen and Toubro is the latest to join the list of companies which are to issue convertible debentures to finance their expansion plans and augment long-term capital resources. The company proposes to issue rights convertible debentures of Rs 6 crores to meet a part of the cost of its cement project estimated at Rs 80 crores.

The company is planning to offer 600,000 debentures of Rs 100 each comprising a convertible part of Rs 40 and a non-convertible part of Rs 60. The convertible portion of Rs 40 will be converted into two equity shares of Rs 10 each at a premium of Rs 10 per share, or such other premium as may be fixed by the Controller of Capital Issues, after about one year from the date of allotment. The non-convertible portion will be redeemed between 8th and 12th years from the date of allotment. The convertible bonds will carry interest at the rate of 13.5 per cent per annum.

The company also proposes to offer debentures on rights basis in the ratio of one debenture for every 40 equi shares held.

The company has be sanctioned term loans about Rs 60 crores for its 1 million tonnes cement pr

New Arrivals March 1982

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davp 82/37

t being set up at Chandra-
r in Maharashtra. and
eduled to commence pro-
ction by May 1983. The
ntral Government has now
ected the company to
dify its scheme of finance
d to avail of only Rs 54
ores from financial insti-
ions. The shortfall of Rs
crores is to be financed by
ue of convertible deben-
es. The company's internal
sh accruals of about Rs
crores are being utilised
r the cement project.

Larsen & toubro achieved
higher turnover of Rs
.22 crores during the first
months (October 1981
March 1982) of its current
counting year against Rs
.96 crores for the corres-
nding period of last year.
s pre-tax profit has risen
15 per cent to Rs 13.33
ores and production by
out 21 per cent to Rs 77
ores. Orders with the com-
any at the end of March
82 totalled Rs 159 crores
gainst Rs 131 crores at the
nd of September 1981.

onus Issue by arware Nylons

Garware Nylons has re-
orted encouraging perfor-
ance for the year ended
arch 31, 1982. The com-
any's board has proposed
step up the equity divi-
end to 17 per cent for 1981-
2 from 15 per cent paid for
he preceding three years. The
oard has also proposed to
ssue bonus shaes in the ratio
f one share for every two
hares held by capitalising
Rs 3.24 crores out of the
ompany's reserves. The
oard's proposal of a higher
ividend and a large bonus
ssue suggests that the com-
pany's outlook for the cur-
ent year is very promising.

The company has also an-
nounced to issue convertible
lebentures for a total of Rs
2 crores to partly finance its
expansion and modernisation
programme and meet the
working capital requirements.
The company has received a
letter of intent for the manu-
facture of 2,000 tonnes of nylon tyrecord and industrial yarn per annum. It has also sought the Government's permission for raising its polyester filament yarn capacity.

The company's gross profit has increased by 31 per cent to Rs 7.98 crore from Rs 6.07 crores for the previous year. Its gross sales have risen by 27 per cent to Rs 72.73 crore from Rs 57.15 crore. The ratio of gross profit to sales has improved to 11 per cent from 10.63 cent.

The company's net profit at Rs 4.11 crore shows increase of 36 per cent over that of Rs 3.06 crores for the previous year. The net profit has been arrived at after providing Rs 3.86 crore (Rs 3.04 crores) for depreciation. As in the previous year, the company does not expect any tax liability for 1981-82 and the proposed dividend will claim Rs 1.10 crores.

C.I. Machinery Steps Up Dividend

Central India Machinery Mfg Co Ltd has stepped up the equity dividend from 12 per cent to 15 per cent absorbing Rs 15.75 lakh (Rs 12.60 lakh).

The company's gross profit has shot up from Rs 41.72 lakh to Rs 1.85 crores. After providing for depreciation Rs 30.51 lakhs (Rs 26.93 lakh), for investment allowance Rs 27.22 lakh (nil), for taxation Rs 54 lakh and after some adjustments and plough-backs, the balance profit works out at Rs 76.83 lakh as against Rs 29.72 lakh last year. Out of this, a sum of Rs 54 lakh (Rs 10 lakh) has been transferred to the general reserve. Proposed equity and preference dividend absorbs Rs 22.38 lakh and balance of Rs 44,610 is carried forward.

According to the management, the year under review has set a new record in performance and profitability of practically all divisions, since the establishment of the company. The company proposes to diversify its activities to new lines of production such as manufacture of cement plant, machinery, other structural works and hand forged items.

Colgate-Palmolive

The Directors of Colgate-Palmolive state in their annual report for the year 1981 that the company holds a letter of intent to manufacture 10,000 tonnes per annum, synthetic detergents at Udaipur in Rajasthan. But on evaluations made to date, this project has not proved financially viable. Alternate processes for the project are being examined and, to this end, the company has obtained an extension of validity period up to September 17, 1982.

Referring to the proposed toilet soaps project at Ankleshwar in Gujarat, the Directors state that technical and financial evaluations show some problems and issues for which solutions are being sought as necessary steps before the project can be implemented.

The management has denied the Government allegation of over-utilisation of production capacities of tooh powder and tooth paste. In response, the Government has decided to carry out a verification of the capacities, which is presently in progress.

Sandvik Asia

The Directors of Sandvik Asia state in their annual report for the year 1981 that the company has received an industrial licence for the manufacture of new products namely, specialised tools such as press tools, jigs and fixture up to a value of Rs 1 crore per annum. Production of these items is expected by 1982 with the assistance of collaborators, Sandvik AB, Sweden.

The company has also received an industrial licence, in February last, to diversify into a new line of manufacture of process plants required in food processing, chemicals and other industrial products necessitating continuous heating, drying, cooling or freezing processes.

Camphor & Allied Products

The keen competition in camphor trade is adversely affecting the sales of Camphor and Allied Products.

Revealing this at the annual general meeting of the company recently, Chairman Mr Jayant Dalal, stated that the turnover of camphor during the first five months of the current year was lower by Rs 35 lakhs as compared to the same period last year. However, the company had achieved higher total turnover during the period at Rs 4.60 crores, compared to Rs 4.25 crores last year. Exports during this period had touched Rs 57 lakhs as against a total export of Rs 67 lakhs during 1981.

Raipur Wires' Maiden

Raipur Wires and Steel Ltd has declared a maiden dividend of 18 per cent for the year ended March 1982.

In spite of severe strain on power and adverse labour situation, the company has faired well during the year. It has obtained permission for setting up a continuous billet casting machine. The company has also obtained industrial licence for increasing its steel making capacity from 18,000 tonnes to 36,000 tonnes and the work on the second furnace has already been taken up. The project cost of both, furnace and roling mills, is about Rs 418 lakh and will be financed through an IDBI loan of Rs 312 lakhs. The company will also issue rights shares worth Rs 40 lakhs to its shareholders.

Blue Star

Fighting the mighty 13 international giants, Blue Star has bagged a highly prestigious and the largest ever air-conditioning contract secured overseas by an Indian organisation. The $ 11.60 million (Rs 10.79 crores) contract is for engineering, erection and maintenance of a highly sophisticated air-conditioning plant for the President Place complex under construction at Damascus, Syria. The complex is located on a hill overlooking the city and comprises President's Palace, Vice-President's Palace and the People's Palace. The project will be completed in 26 months.

Disclosing this, Blue Star Executive Director, Mr H.M. Jhangiani has claimed that the Damascus contract is a recognition of India's capability and competence to rub shoulders with the best air-conditioning organisations in the world.

Blue Star has completed and is executing Heating, Ventilation and Air-conditioning (HVAC) projects in several countries—Sudan, Dubai, Saudi Arabia, Libya, Iraq, Kenya and Indonesia.

An important project under execution is $ 7.50 million (Rs 6.97 crores) contract for a 3000-tonne air-conditioning plant at the Baghdad University.

Bharat Forge to Issue Debentures

Bharat Forge proposes to issue 360,000—15 per cent nod-redeemable secured debentures of Rs 100 each at par, amounting to Rs 3.60 crores. These debentures are redeemable after seven years, with a premium of five per cent of face value.

Siyaram Silk Mills

The Directors of Siyaram Silk Mills have raised dividend from 10 per cent to 12 per cent for 1981.

The company has reported a gross profit of Rs 33.02 lakhs against Rs 20.37 lakh in the previous 14 month period following expansion of turnover from Rs 3.90 crores to Rs 7.80 crores, according to preliminary figures.

After depreciation Rs 7.54 lakhs (Rs 3.35 lakhs) and investment allowance reserve (Rs 7.70 lakhs (Rs 8.50 lakhs), net surplus is Rs 17.78 lakh compared to Rs 8.52 lakhs of the previous year. The company does not expect any tax liability. The proposed dividend on preference and equity shares will require Rs 6.88 lakhs (Rs 3.05 lahks).

ASEA

The turnover of ASEA for the first four months of the current year (January to April last) has been only marginally higher at Rs 2.26 crores against Rs 2.21 crores for the same period last year. This is much behind the target of Rs 20 crores set for the current year as against actual turnover of Rs 14.43 crore of 1981. The continuing labour trouble at Nasik and Parel workshop has been responsible for stagnant turnover, according to the Chairman, Mr H.C. Sarin.

The company is going ahead with the setting up of facilities for the production of transformers, insulators and LV capacitors. Meanwhile, it has also applied for a licence for establishing a new electronics factory at Bangalore.

May & Baker

May and Baker (India) has applied for permission to expand its capacities in accordance with the liberalised scheme announced by the Government and for various industrial licences to be implemented immediately on its Indianisation, according to its Chair man, Mr C.C. Chokshi.

Mr Chokshi told the annual general meeting in Bombay that the parent company had agreed to reduce its shareholding in the equity capital of the Indian company to 40 per cent.

Bonds Issue by IFCI

The Industrial Finance Corporation of India (IFCI) has decided to augment its resources by the issue of bonds for Rs 45.50 crores —7.50 per cent bonds 1977. The bonds are fully guaranteed by the Central Governmentas to the repayment of principal and payment of interest and are approved securities under the Indian Trusts Act, the Insurance Act, and the Banking Regulation Act. These bonds will have a maturity of 15 years and will carry interest at 7.50 per cent per annum The Issue price will be Rs 100 for every Rs 100 of the bonds applied for.

The list will open on June 16, 1982 and will close on June 18, 1982 or earlier as soon as the issue is fully subscribed. Applications will be received at the offices of the Reserve Bank of India at Ahmdabad, Bangalore, Bombay, Calcutta, Hyderabad, Jaipur, Kanpur, Madras, Nagpur, New Delhi and Patna.

The bonds are eligible securities for the purposes of advances to scheduled banks by the Reserve Bank of India under Section 17(4)(s) of the Reserve Bank of India Act and are also included in the list of approved securities of the State Bank of India. These should, therefore, prove to be an attractive investment to institutional investors as also the general public. Since the repayment of principal and payment of interest on the bonds will be fully guaranteed by the Central Government, these are also eligible securities in which both exempted as well as non-exempted provident funds and trusts can invest.

It may be stated that IFCI has already issued 33 series of bonds for an aggregate amount of Rs 557.04 crore, out of which the amount outstandin is Rs 504.55 crore.

IDBI Bonds

The Industrial Development Bank of India (IDBI) is issuing 25th series of bonds for a notified amount of Rs 125 crores. The issue opened for subscription on June 10. The bonds carrying interest at 7.5 per cent will have a maturity of 15 years and will be redeemable at par on June 10, 1977. Interest will be payable half-yearly on December 10 and June 10 every year. The bonds are guananteed by the Government of India as to the repayment of principal and the payment of interest. As such, bonds will be "trustee securities" under the Indian Trusts Act, and "approved securities" in terms of the Insurance Act, and the Banking Regulation Act. They will also be "eligible securities" for purposes of advances to scheduled commercial ban regional rural banks and st cooperative banks.

IDBI has so far issued series of bonds for an agg gate amount of Rs 1,560 crores. Since its inception July 1964, and up to the e of March 1982, it has sa tioned financial assistance Rs 8,256.8 crores (excludi guarantees).

Manharlal Harilal

The Manharlal Harilal S and Wvg. Co. Ltd. has pla ned to modernise and ren vate its mills in Ahmedaba Orders have already be placed for machineries.

In the year 1981, the m spent a large sum of Rs 1. crore on installation of ne machinery and Rs 12.65 la on construction and exte sion of buildings. The ma items of new machinery a ded during the year were two high-speed draw frame eight ring frames, 48 au looms, one continuous ca bonising range, one heat r covery silencer and one DC computor Galaxy-11.

The company has compl ted the first phase of mode nisation and replacement pr gramme and has fully utilise term loans aggregating Rs 7 lakh from ICICI under th soft loan scheme.

The company's Director have recommended a div dend for the year 1981 at th rate of Rs 25 per share o 48,000 equity shares amoun ing to Rs 12 lakhs. Durin the year, the company's gros profits, declined to Rs 1,65,23 as against the previous year' profits of Rs 2,01,15,565.

Award for Modi Arc Electrodes

Modi Arc Electrodes Com pany has been awarded th Seven Star Gold Medal o the Transworld Tradefai Selection Award given b the Institute of Self De fence and National Character Mr D.K. Modi received th award recently on behalf o the company. The special elec trodes of the company ar manufactured under licenc from ESAB of Sweden.

eastern ECONOMIST

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This Week

June 9

The United States vetoed a Security Council resolution that would have demanded cessation of hostilities in Lebanon and unconditional Israeli pull-out from that country.

The pound sterling became cheaper by five paise following the upvaluation of the rupee by 6.3 per cent by the Reserve Bank of India. RBI has fixed the new middle rate at Rs 16.70 against the earlier Rs 16.75 per pound.

The Prime Minister, Mrs Indira Gandhi's visit to the US next month will enable both countries to "discover" each other and pave the way for a lasting relationship between the two, according to the US Ambassador, Mr Harry Barnes.

June 10

A Division Bench of Bombay High Court dismissed with costs the joint appeal by the Maharashtra Government and the former Chief Minister A.R. Antulay against Mr Justice B. Lentin's verdict in the "cement case".

The Iraqi revolution command council and the top army commander held a meeting without President Saddam Hussein and offered to withdraw from all territories occupied in Iran within two weeks.

June 11

The Prime Minister, Mrs Indira Gandhi, has proposed a five-point action programme on non-use and non-production of nuclear weapons.

Syria and Irael ordered their forces to cease fire in Lebanon at mid-day but the Palestine Liberation Organisation said the truce was "under consideration".

June 12

Telecommunication Consultants India Limited (TCIL), a public sector undertaking under the Ministry of Communications, has entered into an agreement with telecommunications authorities of Mozambique to provide consultancy and other services for a period of three years.

The Centre has provided Rs 10 crores to the Department of Alternative Energy in Uttar Pradesh in order to tap alternative and renewable sources of energy.

The Government proposes to set up a fruit and vegetable development corporation and link horticultural production with processing, packaging and marketing.

June 13

King Khalid of Saudi Arabia died following a massive heart attack.

Eight European countries have agreed to a major realignment of their currencies in a drive to ease money market pressure.

Fighting broke out again in Southern Beirut despite the cease-fire announced by the Palestinians.

June 14

Israeli forces occupied Beirut International Airport.

Hindustan Photo Films Manufacturing Co Limited (HPF), a public sector undertaking, has plans for a major expansion programme costing about Rs 150-200 crores.

Wheat procurement has well exceeded last year's total of 6.59 million tonnes as it stood at 6.66 million tonnes.

June 15

The official wholesale price Index for all commodities (base 1970-71=100) went up by 0.6 per cent to 280.6 (provisional) for the previous week. The index stood at 277.4 during the same week last year.

The Aid-India Consortium has pledged $3,600 million in financial assistance to India for 1982-83.

An estimated 14,800 Argentine troops, 6,000 more than expected, laid down their weapons and surrendered on the Falkland Islands, 74 days after invading the South Atlantic colony.

Aid from Consortium

THE SATISFACTION expressed by the Economic Affairs Secretary, Mr R.N. Malhotra, our chief negotiator at this week's Paris meeting of Aid-India Consortium, over the outcome of the Consortium's deliberations is not unwarranted. Fears had been expressed that assistance from this source might go down this year due to the difficulties which the donor countries are facing and the inadequate replenishment of IDA-VI. The total commitment made by the Consortium has turned out to be somewhat larger than in the past year. At $3.66 billion, it is 5.7 per cent more than the $3.4 billion pledged for 1981-82. In terms of SDRs, it is about 17 per cent higher.

But, surely, there is no cause for any jubilation over this development. Of the total assistance pledged, $2.2 billion will be available from the World Bank and its soft-lending affiliate IDA—$200 million more than last year's accommodation. The balance of $1.46 billion aid comprises pledges by 13 member countries, several of which, including Britain, the Federal Republic of Germany, Canada and Japan, have offered marginal increases on their last year's commitments. The United States' contribution, however, remains static at $210 million. The break-up of assistance from the World Bank sources is not yet available. But apparently concessional aid from the IDA may not show any significant improvement over the last year.

Originally, of the $2 billion assistance promised by the World Bank sources last year, 80 per cent was to be on concessional terms from the IDA and the remainder 20 per cent from the World Bank as such. The IDA assistance for 1981-82 has turned out to be around $9.5 million, approximately $150 million larger than the post-pledge reduction to $800 million. This apparently has been owing to the decision of Britain and several other countries to waive the pro-rata provision in regard to their commitments to IDA-VI. While this waiver should help somewhat larger replenishment of IDA-VI this year, despite the US decision to spread its contribution to the final year of the sixth replenishment over two years, it is very unlikely that assistance to us from this soft-lending institution will go up any substantially, especially when greater funds from it are to be made available to Africa rather than Asia. The World Bank has been stressing that countries such as ours should take recourse to what it calls co-financing, i.e. combining of soft credits from it with commercial credits from the world money markets.

That the above reading of the situation is not incorrect is evident from the fact that notwithstanding many members of the Consortium urging that our share in IDA assistance must be maintained at 40 per cent, the US, on whose attitude the flow of funds from IDA largely depends, preferred to skirt the issue at the Paris meeting. The reduction in the flow of IDA assistance is bound to push up our debt-servicing burden. It is estimated that interest burden alone might go up annually by Rs 100 crores due to the changed mix of aid from the World Bank sources. It is, of course, somewhat comforting that some of the countries which either make available aid on grant basis or on terms akin to those of the IDA have indicated some marginal increases in their current year's pledges.

Very significantly, the Asian Development Bank (ADB) participated in the Paris deliberations for the first time. This presumably was due to the indication given by the Union Government that we might be approaching the ADB for assistance from the next year onwards. We have refrained from doing so till now in the interest of ADB funds being available for financing developmental programmes of the other Asian nations.

The slight increase effected by the Consortium in its assistance to us for 1982-83 is in recognition of the improved performance of our economy in the recent past, despite deteriorating external environment—continued recession in many industrialised countries, aid-weariness and protectionist tendencies gathering momentum in some of them and persistent worsening of the terms of trade of the Third World.

The success achieved by us at containing the prices spiral was well appreciated. Although with the slight upward movement of the wholesale prices index in the second half of May, the negative trend in inflation in the earlier half of this month has been reversed, the annual rate of inflation, on point-to-point basis, for the week ending May 29 was no more than 0.6 per cent, as against 15.6 per cent a year earlier.

Both agricultural and industrial sectors have shown encouraging trends. Industrial growth last year has been estimated around eight per cent. Agricultural growth has been very significant despite the untimely rains in April and May damaging to some extent the excellent rabi crops, particularly wheat. But even then wheat procurement this year has already exceeded the last year's Government purchases of 6.587 million tonnes. With arrivals still continuing to be substantial in the surplus wheat-producing States of Punjab, Haryana and western Uttar Pradesh, wheat procurement this year, on current reckoning, may exceed 7.5 million tonnes. Early summer rice procurement in Andhra Pradesh and the Government purchases of rabi coarse grains too have been heartening. All this admittedly should have a very salutary effect on the price level. Equally significant have been the improvements in various sectors of infrastructure. The energy prospects are quite promising. Railway transportation bottlenecks have eased considerably.

Continuation of substantial external aid to countries such as ours, of course, cannot be over-emphasised. In fact, both the Consortium and the heads of State and Governments of the seven leading industrial powers, which met at Versailles last week, have reiterated this. As Mr Malhotra pointed out at the Consortium meeting, per capita assistance received by us during the sixties and the seventies and now in the eighties has been just about the lowest in comparison with any other recipient country. The OECD 1981 review also contains a similar observation. We are perhaps paying the penalty for our giant size.

The restructuring of our economy that has been undertaken in the recent past, obviously, needs to be fully supported by not only the industrialised countries individually but also by the global multilateral assistance-providing agencies. The Versailles Summit has reiterated the need for special temporary arrangements to overcome the funding difficulties of IDA-VI and for an early start of negotiations on IDA's Seventh replenishment. It, however, remains to be seen how far the US will resile from its present stance of preferring bilateral aid to multilateral assistance. The preference of the Third World countries, obviously, is for multilateral aid because political overtones do not have much influence on it.

The structural adjustments being made in our economy cannot yield miracles overnight. They are a long-drawn process. That is one of the basic reasons for our external trade gap last year continuing to be almost the same as in the previous year in spite of marked increase in the availability of oil from domestic sources and an impressive improvement in the supply of coal and power. This process of adjustment can be completed smoothly only if adequate aid is available without increasing much of the debt-servicing burden.

Concerted endeavours as well need to be made to improve the terms of trade of primary products which form an overwhelming proportion of the exports of the developing nations. We failed to attain the export target last year—for the second year in succession—to a large extent due to the decline in the world prices of such items as jute goods, tea, coffee and spices. The curtailment of assistance on concessional terms and deteriorating terms of trade for the exports of developing countries amount to double-squeeze on their developmental efforts. Setback to the growth programmes of the Third World, indisputably, will have a very deleterious effect on the economies of the industrialised nations.

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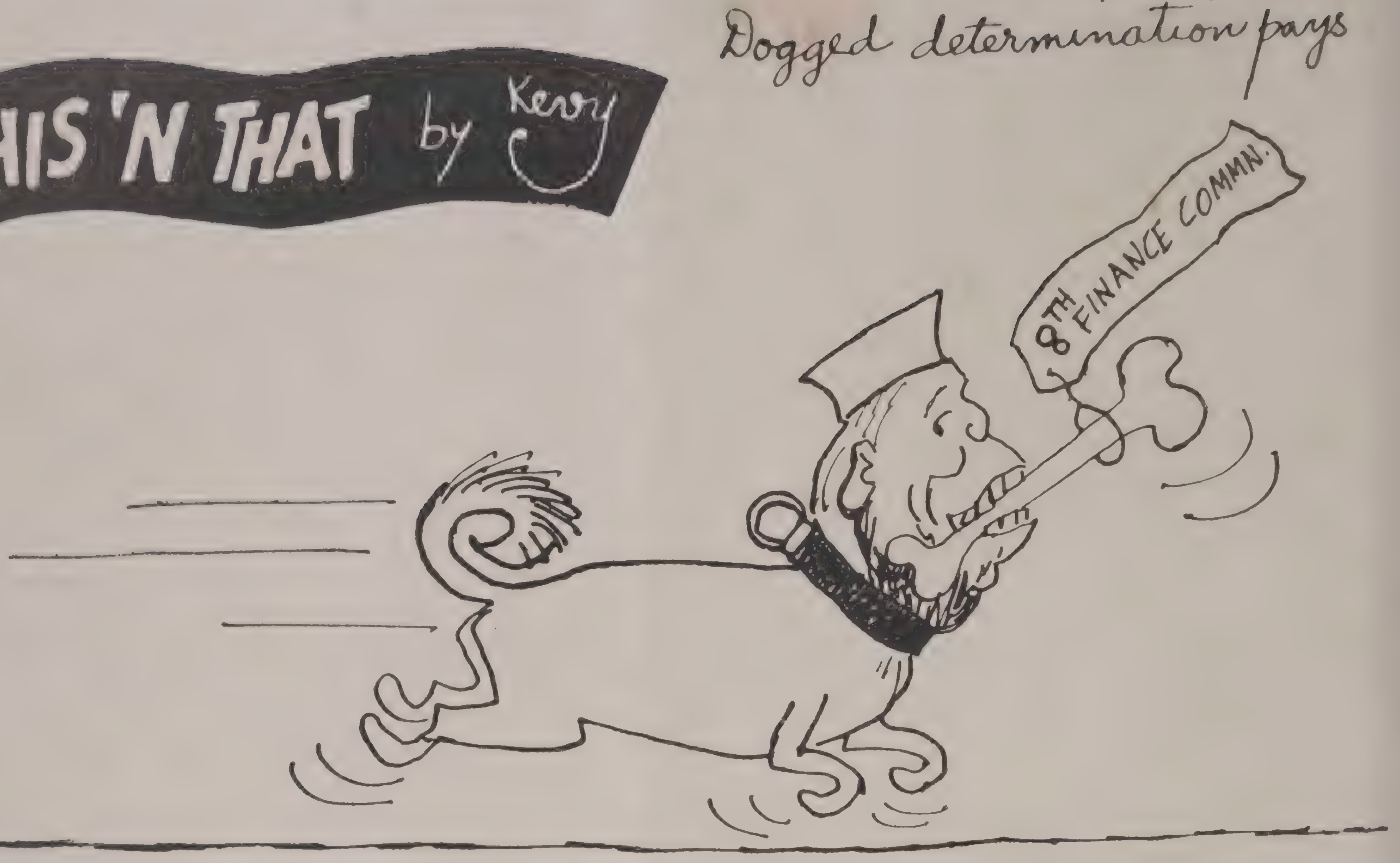
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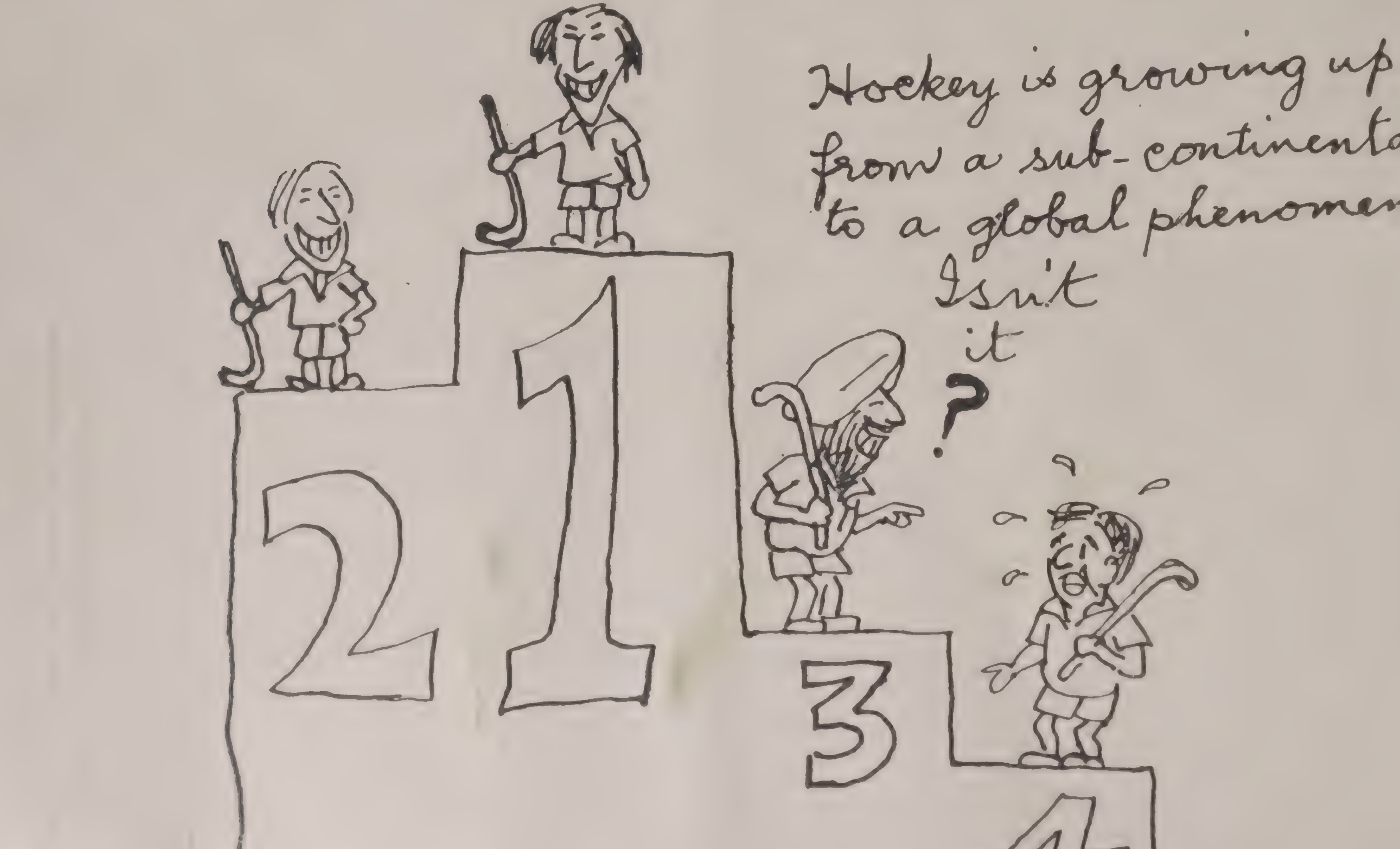
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MNCs and Direct Foreign Investment

Rameswar Tandon

THE PHENOMENON of internationalisation and integration of economic life constitutes, alongwith the advance of technology, a basic dictum of our age. But the economic thinking continues to be dominated by national issues, e.g. national economy, national income and balance of of payments. Is not the multinational enterprise regarded by many as a component of national income, when it extends its operations beyond the economy, whether or not macro interests of national economy and micro interests of the company coincide ?

In the context of world economic history, MNC is a very recent phenomenon; it was taken seriously only from the decade of the 1950's. (Before that period in the industrial countries, it was mostly portfolio investment.) And for the LDCs, the colonial relations were such that direct investment was not taken as "foreign'.

Conventional Theory

Most of the conventional trade theories welcome the growth of MNCs due to the fact that this means more efficient allocation of capital and other scarce factors. Besides, it allows for easier transfer of technology to LDCs and also vindicates "the strategic view that business should find the best markets, employ the best technology and finance through the best channels, irrespective of geography".[1] But in search for the best, we find ourselves at a point where a few hundred MNCs dominate the world economy. The centre of gravity of internationalisation of business activity is shifting from trade to factors of production themselves. The total value of international production of a company with foreign operations is already said to exceed, by far, the exports of goods from major countries. There seems to be no limit to this internationalisation of production and it is just possible that "within the next generation, about 400 to 500 of these corporations will own about two-thirds of the fixed assets of the world economy.[2]

Hence given the basic premise that LDCs' welfare ought to be promoted and the general agreement on hard data (investment, flows, value of output, growth rates, employment), we find the controversy about the rationale and contribution of direct investment. But there cannot be a 'value free' or objective assessment of foreign investment in that case; the values here can be taken for granted 'a priori' postulates or they may be defined and stated explicitly.

Intra-Firm Trade

While trade data show increasing value of trade flows between countries, it is not shown that a large portion of growth in trade is accounted for by the intra-firm trade of MNCs. Over the last two decades, we find increasing dominance of private investment in the LDCs' manufacturing sector. Here a new type of foreign investment in manufacturing has played a leading role and export-propelled growth also found favour in several countries, e.g. Korea, Taiwan, Brazil.

The MNC is one that undertakes foreign direct investment and also produces goods and services outside its native economy. 'Like animals in the zoo, MNCs come in various shapes and sizes, perform distinctive functions differently and make their individual impact on the environment'. But the skills and know-how provided by MNCs are different in the resource-based units than those in case of manufacturing units.

Hence in measuring the degree of internationalisation of a company, the basis is the ratio between its assets abroad and its total corporate assets. Adequate information is not available due to the fact that we do not have disaggregated data about trade and investment and in LDCs the available information is rarely published.

In analysing the foreign investor-LDCs relations, we cannot get over certain basic assumptions as such. One is the pedestrian one that the host LDCs are interested in promoting their welfare and also that they want to maximise the benefits from foreign investment at the least cost. We find that the traditional approach is more businesslike and more pervasive with the assumption that foreign investment provides a 'net' increase in capital formation, output and employment and so it is helpful (except in cases where the investment is highly protected and for which the host Government is responsible.)

But the available data do not prove or disprove social desirability of foreign investment as no social cost-benefit method is followed. The case here is based on a competitive model, where market prices measure social values ; allowance is made for distortions due to Government policies on tariffs, taxes, controls and the foreign investor just provides the capital, technology and other information. For all these, no superior alternatives are available and hence the foreign investment is necessarily beneficial, unless the host Government follows wrong policies.

Distinctive Effects

The broad distinctive effects of private foreign investment seem reasonably clear, assuming the Government policy to be the same after foreign investment occurs as before, In the long run, after the general equilibrium effects have worked themselves out, one may expect capital flows to lower the 'real' incomes of the local capitalists and to raise the real income of labour and other complementary factors. By enhancing the supply of capital available to the country and thereby reducing capital costs from what they would otherwise be, investment in industries and localities with less favourable access to capital markets becomes economically feasible.[3]

In traditional theory, a performance function is taken as a datum, as given, but then the other non-economic objectives of these LDCs may be equally important element in the performance function of most of the LDCs. Then to what extent do market prices, corrected for the above distortions, measure 'welfare' here; is the growth in per capita GNP at these prices really what the LDCs aim at? If the pattern of consumption, technology, distribution of power and wealth are at all important, how much relevance does conventional welfare economics have?

If we accept the aims of MNCs as perfectly legitimate and rational, then it is obvious that the relationship between the LDCs and the MNCs is one of inherent conflict; that is one, where a nation state is at the mercy of one or more MNCs. The criticism here is focussed on the assumed direct link between the firm's profitability and the host country welfare: Whether the LDC's welfare is really increased by this type of market-development, product differentiation, oligopolistic market structures, and transmission of certain types of technology or will displace labour or lead only to frequent model changes?

One-Way Traffic

No doubt trade leads to some sort of interdependence but not so with international production where the flow of direct investment may be one-way only. Since most of the firms have some choice of what to produce, international production is one option that could be an alternative to production at home. The choice between supplying a foreign market from a domestic or foreign base, will be influenced by exchange rates, transport costs, tariff and non-tariff barriers, relative input costs, size of markets and the technology of the multiplant operations. "On the other hand, the ability of foreign affiliates to compete with local companies will depend on the extent to which the advantages of being part of a larger foreign firm outweigh the additional marketing and other costs of international production."[4]

We know that the non-arms length transactions among the MNCs form only a small percentage of trade; so long as the patents compete, does it matter that much whethers ubsidiaries function competitively or not? In some specific cases, the net effect may be to increase competition, as was hinted by Charles Kindleberger; also there is enough evidence for wide concern that the MNC growth is lessening competition internationally. This may take several forms as follows:

1. Takeover of existing firms due to easier access to capital and higher price earning ratios;

2. Allocation of non-competitive marketing areas among subsidiaries;

3. Limitation on the use of technology; and

4. International pricing behaviour, specially the oligopoly-characterised industries.

Market Imperfections

Recent studies of foreign investment have turned to the analysis of trade and investment, where market imperfections are taken into account and more attention is devoted to production and transfer of technology and various forms of market-power. The oligopolistic theory of investment suggests that the firms operating in outside countries suffer an intrinsic disadvantage that should be off-set by some sort of market power. Then the world in which the MNCs operate has also changed and has become both more open and more conscious of their potential impact.

The emergence of international production has been a result of several factors which operate within national boundaries and which also preserve and strengthen dominance of large firms. This was emphasised in recent works following Hymer e.g. Caves, Horst, Stevens and Baumann. The essential identity between the evolution of industrial structures and capital export was pursued by Marxian thinkers also.

The MNCs operate in a competitive world, where it is most important not to be left behind by a competitor. Now the large firm can no longer be just multinational; it has to be multi-dimensional. The MNC growth is far from reaching an end: general indications suggest the stability of their growth rate over the last decade at about 10 per cent per annum, they have maintained a growth rate of 60 per cent per period of four years since 1959 and the expected short-term or medium-term growth shows no further slackening.

Some problems could be pointed out due to relative underdevelopment of the LDCs: (1) Domestic fiscal and monetary policies can be subverted or neutralised by MNCs; (2) The long-term effect o foreign investment on the balance of payments as repatriation of interest and dividend capital is usually negative; (3) The low research work in the foreign-dominated industries of the host country pushed young scientists from LDCs (the perverse brain drain); (4) Given that the MNC are often monopolies and oligopolies where prices do not move flexibly with the productivity gains, the benefits o technical progress accrue mostly to th foreigners; (5) MNCs discourage competition among their subsidiaries and wil prefer some market-sharing formula; (6 The pricing policies of the MNCs ofte operate to minimise the revenue tha goes to host countries; (7) After the risk have fallen, MNCs are not willing t renegotiate terms of agreement.

Ideal Situation

It follows from traditional analysis tha the Government policies in the LDC should aim at removing important distortions in policy-making and thus encourag foreign capital inflow. Over the long ru the ideal situation perhaps will be a full integrated international production stru ture held by MNCs, with little Gover ment control. We can refer here to th conflict of interests between the MNC and LDCs which have been few over th decade. There was also the ITI-Chi fiasco. Here we cannot ignore the histor cal evidence from Latin America and th studies of the dependency by Marxi schools. Then the proponents of nation list school argue that strong controls a needed on every aspect of foreign inve tors' activities due to their oligopolist powers, ability to transfer profits undete ted and other damaging effects. Giv the distribution on power and resourc it is possible for the host country to g a much better deal from them by tou bargaining than by doing nothing.

For these firms, the ideal limits theor tically consist in distributing the wor sales in proportion to the size of resp tive markets. Within these limits, ma American MNCs want to keep on i creasing the foreign element in their ov all operations. For this a steadier growth and a better distribution of assets are just as important as preoccupation with profit or with one's competitive position. Given that technology is one of the prime determinants of the success and growth of capitalist enterprises, and that technological innovation and size appear to interact in such a way as to lead to still greater size and concentration, it should be clear why this factor constitutes one of the causal forces behind the growth of international production.[6]

The rise of international production has shown that trade is increasingly the result of investment patterns and that the 'bases' of comparative advantage can be altered through the movements of factors of production. But should free trade policy be the basic rule to follow and the role of foreign investment be subordinate to it? The MNCs, being outside the effective control of any one Government, pose serious challenge here. Their intra-firm integration is a kind of institutional integration and economic activities in the world are undertaken by billions of specialised firms. It is a moot point whether market integration is a realistic alternative for achieving genuine economies of scale achieved by large MNCs ?

Mutual Prosperity

The trade theory visualises mutual prosperity of trading nations when international movement of factors are absent. "The international movement of capital and technical knowledge is desirable to facilitate the process of international factor price equalisation and thus national development. It should be subordinate to but not master of international trade and trade policy".[7] Since none of the diverse schools start from the assumption that the interests of nation-state are supreme, each of them is based on some assumptions about the shape of international economic order.

The sources of market power—'monopolistic advantage' in Kindleberger terms—may explain two things : why a foreign firm invests rather than a local one and why a 'large' foreign firm invests rather than a small foreign one. Unfortunately several developments have occurred in the world economy over the past decade. One is that the US influence and power is no longer sufficient to force on the rest of the world the multilateral, non-discriminatory trade. Then a new nationalism has arisen due to the fact that Governments have taken over increasing responsibilities.

In the Vanguard

The rise of international production reminds us that trade is increasingly the result of investment patterns as S. Hymer said : "Multinational corporations, because of their favouroble position (large size, wide horizon and proximity to new technology) and the favourable environment (the initial large gold reserves of the US, the formation of the ECM, the small size of foreign investment) were in the vanguard of the revolution in world economic structure. The next round is likely to be characterised by increased emphasis on politics rather than economics and a much less free hand for business. The conflict is not so much between nationalism and internationalism.. but between groups of people within corporations and nation states, struggling over who decides what and who gets what."[8]

If all the advantages of large firms showed up in lower prices, better things and improved demand, then the MNCs should be able to exploit such gains by exporting rather than going in for the risk of undertaking the manufacturing activity in the outside countries. Hence during the next ten years the challenge of European and Japanese firms to American corporations will increase the manoeuvrability of the Third World. But increasingly, as firms interpenetrate each other's markets and develop global outlook, competition will turn to collusion, as dominant firms of the center present a unified front.[9]

This pinpoints the spread of the dualistic structure of the American economy between traditional sector and the new oligopolistic sector into the world economy. Then the international prices are twisted by the cost of reducing the advantages of scale economies, product-differentiation, marginal costing, intra-corporation pricing, tax havens etc.

If the MNCs are assumed to have a truly global perspective and are not bothered by various Government restrictions, they can also be assumed to allocate their resources in an efficient manner, among different countries.[10] Whether or not this also increases the welfare of different societies in general is beside the point. While Kindleberger suggested that the historical wrongs should be forgotten, it can be said that business and social welfare could be identical only under very restrictive assumptions. Hence the conflict between the MNCs and the host Governments could be due to the following.

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1. From the fact that it is 'private' and hence may clash with the social and material goals;
2. That it is large and oligopolistic and hence possesses market and bargaining power which may be used against the interests of host country;
3. That it is 'foreign', particalarly if it is American and hence may be serving the national interests of a foreign nation; and
4. That it is 'Western' and may transfer 'inappropriate' knowhow, technology or management practices, or products designed with characteristics not needed in less developed countries.[11]

Investment Flows

In the past decade, international production and trade have grown at a very fast pace as could be seen from increased export dependency of the world economy from around 10 per cent in 1960 to 14 per cent in 1975 and to 19 per cent in 1980. The international transfer of capital also kept same pace increasing 2.4 times over the 1956-65 period and about three times during 1966-79. This growth of international capital movements made by eleven major developed countries in the Sixties was kept at the rate of 12 per cent per annum, that was far beyond the growth rate of these economies. But over the years, primary source of capital transfer has shifted from the public sector (as was the case of the post-war period of the Fifties) to 'private' foreign investment. In this transfer of private capital, flow of 'direct' investment has constituted a major share of more than 65 per

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cent of total investment. The volume of private investment flows over the 1959-68 period is shown in the table below

The net flow in 1962 was $2.4 billion and rose to $5.7 billion by 1968. The major sources of private capital have been, in order of importance, the US, West Germany, France, Italy, the United Kingdom, Japan and Switzerland. Now what is new is that private investment has changed in nature from the exploitation of natural resources to market-oriented investments, concentrating on manufacturing and service activities.

Also international production has surpassed the volume of trade. According to one estimate, total international production of American companies in Western Europe and of the European companies in USA was about three times larger than trade among these countries. The total overseas production of US corporations in 1967 was put at about $120 billion or four times the total exports of US in that year.

One study on the motivations of European investments found that the manufacturing for export was not an important motive for European firms in South East Asia. The sample surveys in 1972 showed that a major portion of their investment was initiated by a desire to maintain the overseas markets or to get raw material supplies. The only exception was the British firms who aimed at evolving low-cost bases for export. In 22 per cent of cases, the investment was induced by international competition and another 13 per cent of units were to set up a regional base for serving the adjoining markets.[12] This was due to predominance of Hong Kong and Singapore in the region.

The survey also observed that the MNCs from France and West Germany worked mostly for the local markets, but large business firms from the Netherlands were being forced to find out low-cost locations due to enhanced competition in several lines e.g. clothing, electronics, electrical items.

The findings of Harvard-based project on MNCs pointed out that the manufacturing subsidiaries of European units took up production in the LDCs mainly to get the share of local markets and not to reduce labour costs or to develop offshore production.[13] Even in 1971, about 97 per cent of subsidiaries of large European firms in LDCs were manufacturing mostly for local markets. But this does not mean that these units were not involved in any export of manufactures.

S. Rolfe in his basic report on international companies, made for the Congress of the International Chamber of Commerce in 1969, with a study of the balance sheets and other data, tried to get for which of the 200 largest non-American Corporations of the *'Fortune'* list, the assets, turnover, profits abroad form 25 per cent and above of the aggregate of the enterprises. Rolfe felt that the number must be almost the same as that of the US corporations, i.e., 77 of the 500 largest.[14]

We have the best information on direct investments from the American sources. On the basis of the estimates of the Department of Commerce, American direct investments abroad rose from $ 12 billion in 1950 to $72 billion in 1960, $ 78 billion in 1970 and $ 89 billion in 1976. As for direct foreign investments

Net Flow of Private Capital to Less Developed Countries and Multilateral Agencies—1959-68

($ million)

	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Australia	—	—	—	—	—	14.8	15.0	20.0	25.0	30.4
Austria	—8.3	05.8	18.0	17.2	3.8	6.7	15.8	16.1	21.3	45.8
Belgium	88.8	81.2	71.8	48.4	95.0	93.0	119.3	96.9	65.6	150.0
Canada	22.3	69.5	25.5	55.2	32.5	14.1	45.0	55.0	58.9	93.6
Denmark	(8.2)*	32.4	25.2	7.3	(0.8)	21.2	2.3	(—4.8)*	(—4.8)*	45.0
France	336.7	476.8	462.8	418.2	391.3	529.2	574.2	574.9	515.8	627.7
Germany, West	483.3	276.3	228.9	143.0	185.9	283.5	252.7	296.5	593.8	1068.3
Italy	65.2	192.9	117.2	279.3	242.6	196.6	172.5	516.6	131.4	400.9
Japan	(98.6)	102.6	160.0	118.0	93.9	79.1	132.1	127,1	170.1	240.5
Netherlands	168.7	203.3	144.4	49.2	96.6	69.2	169.2	160.2	114.7	141.7
Norway	1.9	0.1	17.9	—0.1	0.9	5.9	26.6	4.0	14.7	34.6
Portugal	—	—	—	—	—	—	9.3	15.4	31.8	13.3
Sweden	27.0	39.9	43.5	18.8	30.5	34.4	34.6	51.1	60.8	57.4
Switzerland	115.8	153.3	187.2	156.2	196.6	100.9	187.8	107.0	130.1	222.9
United Kingdom	466.6	473.8	442.2	322.9	306.3	425.5	547.1	413.3	343.4	341.0
United States	954.1	1042.2	1101.7	819.0	880.0	1326.0	1897.5	1359.9	1922.4	2204.0
Total	2828.9	3150.1	3106.3	2452.6	2556.7	3200.1	4174.0	3809.2	4196.7	5717.1

Note : *Multilateral only.

Source : *Development Assistance Review, 1969* (Organization for Economic Cooperation and Development, Paris), p. 299, Table 4.

in the US, the respective figures are $ 3.4 billion for 1950, $ 6.9 billion for 1960, $ 13.2 billion for 1970 and $ 18.5 billion in 1976.

In the production plans of several European firms, world-wide 'sourcing' occupies an important place,[15] e.g., the case of Volkswagen in Brazil and Rollei in Singapore. Similar developments were observed in the case of Philips of Holland, Dunlop of Britain and Olivetti of Italy. No doubt these units are still on a small scale and so far the American and Japanese firms showed more interest in manufacturing for exports.

Double Book Value

So J. Polke calculated that the value of production of the affiliates of US companies abroad amounts to double the book value of the US direct investment i.e., $120 billion and $60 billion for 1967. This production value thus exceeds the value of US goods—exports of $ 32 billion in 1967.[16]

S. Rolfe applied the 2 : 1 ratio suggested by Polk to the OECD estimates of foreign investments. Taking account of the value of production of foreign units, shares of which are held in portfolio by other companies, he gets a rough estimate of $240 billion for the total value of international production.[17] This is almost double the amount of exports of goods—$ 130 billiod by major developed countries in 1967.

The LDCs' share in total private investment has over the years, come down to about one-third of the total: still private investment forms an important segment in the capital flows to LDCs. From an average of $ 1829 million during 1960-65, the total net private capital flows to LDCs rose to an annual average of $ 2759 million within the five years 1966-70.

Of the various LDCs, at the end of 1970, Latin America accounted for 50 per cent of the total, followed by Africa, Asia and the Middle-East, with 19, 14 and 9 per cent respectively. In Latin America, about four-fifths of the total was accounted for by Argentina, Brazil, Mexico, Chile and the Caribbeans. In Africa, 30 per cent of investment was in Nigeria and Algeria, with Libya, Zaire, Zambia accounting for another 20 per cent. In Asia, India, Malaysia, Pakistan and the Philippines accounted for more than 60 per cent.

On the basis of available data, we can say that the investments in petroleum, mining and smelting. extractive activities account for over 50 per cent of total direct investments of developed countries in LDCs; the manufacturing sector accounts for about 30 per cent. Hence direct investments occur to an ever-increasing extent outside the basic commodity industries and also the LDCs. In fact it is a question of the emergence of a new international economic structure in which the multinational enterprises are proceeding to take their place, under pressure from 'economic' and not from political motives.[18]

While the activities in petroleum, copper, bauxite and other mineral sectors and other plantation sector can be identified easily, it is not so easy in case of manufacturing sectors. In several LDCs of Latin America and Asia, these firms concentrate on a wide range of items involving simple technology and relatively small scale of production. In several other cases, they are just trading and distributing units. Now the largest MNCs of the US and Western Europe do not account for major share of the subsidiaries in LDCs, but the smaller units do play a very useful role even in manufacturing.

Mechanistic View

This mechanistic view of MNC growth really coincides with the investors' deepest motivations and for the most part, the urge to expand abroad remains extremely strong. While we are now more aware of the factore that play a part in determining direct investment, it is not so easy to pinpoint their respective influences. Out of the determinants of investment studied by Dunning, some are less important than is usually thought. The attraction of low wage level often counteracted by low productivity has played only a minor part in the past expansions.[19]

The initiatives at the international level by the LDCs have been embodied in the resolutions in the UN Assembly, ECOSOC and UNCTAD. We can ref to paras 50 and 74. General Assemb resolution 2626 (XXV) on the Intern tional Developmet Strategy, and Gener Assembly resolution 1803 (XVII) ar 2158 (XXI), relating to permane sovereignty over natural resourc LDCs' rights on foreign investments.[20]

Resources Mobilisation

At the Third UNCTAD, resolution (III) was adopted; in which concern w expressed "not only at the total amou of financial outflow brought about private foreign investment but also at t excessive utilisation of local financial r sources and the effects of certain marke ing contracts among foreign compani that disrupt competition in the domest markets and their possible effects on t development of LDCs." The resoluti urged the developed countries to take t necessary steps to reverse the tenden for an outflow of capital from the LD by fiscal or other appropriate measur such as tax exemption of reinvestment profits and other earnings accruing private capital investments. The res lution also recognised that private forei investment subject to national decisio and priorities, must facilitate the mobi sation of internal resources, genera inflows and avoid outflows of forei reserves, incorporate adequate technolo and enhance savings and national inve ment."

One of the most radical codes was p pared by the Andean group, 'The Forei Investment Code' in November 19 After several attempts by the Internat nal Chamber of Commerce in Novem 1972, the Pacific Basic Economic Coo ration in May 1972 and the Japan Cha ber of Commerce in June, 1973, OECD brought out some modest gui lines for MNCs in June, 1976. Now UN Commission on Transnational Cor rations is working on a code for help the LDCs and this may take a coupl years.[21] It may be that this code co be one of the declarations about a N International Economic Order. Th codes work out the framework to con the MNCs such as restrictive busi practices, transfer pricing, tax-evasion

Mention could also be made of a

cent initiative in the UNCTAD Trade and Development Board (12th session in October 1972) in Resolution 88 (XII). The resolution recalls the relevant previous G.A. resolutions and: (1) Reaffirms the sovereign right of all countries to dispose of their natural resources for benefit of their national development in the spirit and in accordance with the principles of the charter of the UN.

(2) Reiterates that in the application of this principle, such measures of nationalisation, as States may adopt in order to recover their natural resources, are the expression of a sovereign power in virtue of which it is for each State to fix the amount of compensation and the procedure for these measures.

What is required here is to rectify those kinds of conduct that are mostly monopolistic or oligopolistic. Then it may not be controlled through 'direct' measures but only through making the markets more competitive as such.

Assessing Validity

In a recent report, the UN Department of Economic and Social Affairs reviewed the charges against the MNCs. One member felt that the report proliferates the initial error by skipping from the expression of a particular fear, based on various hypothetical situations to proposing a recommendation but without a factual basis. The report assumes that central problem is a conflict between power of the MNC and the political power of the host governments and sets out various concerns about MNCs, without any attempt to assess their validity.[22]

The problem is whether it would consist only of general principles and guidelines that would be internationally accepted in agreed form. Or would it mean the drawing up of an international legal instrument, consisting of rights and obligations enforceable through agreed procedures on conciliation and arbitration? What would be the scope of such an instrument' or regime—only certain specific issues proving difficult in bilateral negotiations or all the major elements in the investor-host country transactions?

So far we are not sure whether major developed countries are prepared to negotiate such an instrument as yet. Then the lack of enthusiasm of the LDCs could be due to their weak bargaining position and their anxiety not to commit themselves to any international contract or regime that could affect their position adversely.

Several factors could be suggested that might obstruct reaching a common ground even on principles and guidelines e.g. sovereignty over natural wealth and resources, equity control, methods of nationalisation and compensation.

The most important rules for ensuring the developmental effects of direct investment could be: 1. Free trade; 2. big MNCs are to compete freely instead of exhibiting oligopolistic behaviour; 3. Direct investment plays role of a 'tutor' with a certain rule of 'fade out'. If these rules are followed, any other regulation is not necessary and any direct and selective regulation is not feasible.

In conclusion, finding a formula bypasses the question of MNCs; it is also true that the problem is political and concerns above all the relations between the US and Europe. The relative positions of MNCs and the States have still to be established. We may go ahead with Kindleberger that the world to come will be made up of specialised areas, placed side by side e.g. distribution, culture or production; each under a separate management organisation.[23] Or we may judge like Hymer, that one particular structure is more stable than another and that perhaps the multinational firms are already past their 'prime.'[24]

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Economic Analysis

IRCI and Sick Industries

J. Panda & P. K. Sahu

THE INDUSTRIAL Reconstruction Corporation of India (IRCI) was set up as a public limited company in April, 1971. The Reserve Bank of India took the initiative in setting up this corporation with the objective of reviving and revitalising sick and closed industrial units. Its function is not only to work as a lending institution but also as a reconstruction agency which is interested in diagonising and removing shortcomings which have led the units to an unfortunate condition. This role includes the restructuring of management, providing technical and managerial guidance either through its own staff or by helping in procuring suitable personnel from outside, acting as a catalyst in securing assistance from banks and financial institutions and Government agencies. Reconstructing the financial base of the companies assisted, insisting on the solution of labour management problems, advising management with regard to product mix and allied matters, maintaining a close fellow-up of the course of reconstruction—all these fall witnin the area of the functioning of the corporation.[1]

The IRCI provides financial assistance in various forms such as underwriting of and/or direct subscriptions to share capitals/debentures, loans, guarantees on soft terms. A decade has already passed since the establishment of the IRCI. Yet the industrial landscape is increasingly becoming dismal with the phenomonal rise of sickness in industry. Hence a review of the working of the IRCI has been attempted here.

The overall operations of the IRCI have been growing steadily in recent years. Assistance sanctioned by it to sick industrial units went up by 131 per cent from Rs 6.60 crores in 1971-72 to Rs 15.21 crores in 1979-80. The assistance sanctioned was mainly by way of term loans and hire-purchase assistance for securing diesel generating sets. The disbursement of assistance, however, marginally declined from Rs 12.61 crores in 1978-79 to Rs 12.49 crores in 1979-80. Of the three units sanctioned assistance during 1979-80, the management of two units was taken over by the Central Government under the Industries (Development and Regulation) Act. Up to the end of March, 1980, the IRCI-assisted units under Government management numbered 27.

TABLE I

Assistance Sanctioned and Disbursed By IRCI

(Rupees crores)

Year	Sanctioned	Disbursed
1970-71	..	..
1971-72	6.60	1.10
1972-73	6.10	3.50
1973-74	7.21	5.15
1974-75	7.59	8.05
1975-76	5.27	4.60
1976-77	10.04	10.78
1977-78	10.92	9.09
1978-79	10.73	12.61
1979-80	15.21	12.49
As at end March 1980	78.32	65.89

Source : Operational Statistics, IDBI, 1979-80.

The IRCI has been appointed as the "authorised person" in respect of eight of these units. Upto the end of March. 1980, the IRCI had sanctioned assistance to the tune of Rs 78.32 crores to 95 units and disbursed Rs 65.89 crorers to 92 units, whereas till the end of June, 1975, the corporation's net approvals amounted to Rs 33.5 crores to 81 industrial units and total disbursement out of the sanctioned assistance aggregated to Rs 25.2 crores to 72 industrial units. It is evident from this that the operations of the corporation have increased substantially in the last four years both in respect of sanctions and disbursements.

Industry-wise classification of assistance sanctioned and disbursed by the IRCI is given in Table II.

It is evident from Table II that about one-fifth of the assistance was obtained by traditional industries like food, textile, paper and cement. Among these, textiles was the largest beneficiary. As against this, industries having received Plan priority mustered more than three-fourths of the total assistance granted. Among priority industries, transport equipment industry received the largest share (27.3%), followed by rubber products (20%). Similar trend is witnessed in the case of disbursements. Transport equipment, rubber and basic metal industries together were accounting for 55 per cent of the aggregate disbursements by the IRCI upto March 31, 1980.

TABLE II

Industry-wise Classification of IRCI's Assistance up to end of March, 1980

(Rupees Lakhs)

(Period; April-March)	Amount	%
Traditional Industries		
1. Food	204 (186)	2.6 (2.8)
2. Textiles	1175 (996)	15.0 (15.1)
3. Paper	30 (20)	0.4 (0.3)
4. Cement	53 (25)	0.7 (0.4)
Total (1 to 4)	1462 (1227)	18.7 (18.6)
Priority Industries		
5. Rubber	(1563 1404)	20.0 (21.3)
6. Chemical and Chemical Products	289 (232)	3.7 (3.5)
7. Basic Metal Industries:		
(a) Iron & Steel	255 (179)	3.3 (2.7)
(b) Non-ferrous Metals	306 (278)	3.9 (4.2)
8. Metal Products	487 (386)	6.2 (5.9)
9. Machinery	424 (368)	5.4 (5.6)
10. Electrical Machinery	424 (341)	5.4 (5.2)
11. Transport Equipment	2141 (1817)	27.3 (27.6)
Total (5 to 11)	5889 (5005)	75.2 (76.1)
12. Others	482 (357)	6.1 (5.4)
Grand Total	**7832** **(6589)**	**100.0** **(100.0)**

Note : Figures within brackets indicate disbursements.

Source : Report on Development Banking in India (1979-80—An IDBI Publication.

Of the total assistance sanctioned by the IRCI since inception, West Bengal accounted for 86.4 per cent. And, out of 95 units for which the IRCI sanctioned assistance upto March 31, 1980, 77 units are located in West Bengal. Of the remaining, four units are located in Maharashtra, three in Kerala, two each in Bihar and Tamilnadu and one each in Andhra Pradesh, Assam, Gujarat, Haryana, Karnataka, Punjab and Delhi.

Of the total assistance of Rs. 78.32 crores sanctioned by the IRCI since its inception upto March 1980, a sum of Rs 12.95 crores (16.7%) was given to 15 industrial units located in backward areas. The disbursements of assistance to units in backward areas as at the end of March, 1980, amounted to Rs. 10.08 crores forming 15.3 per cent of the aggregate disbursements. The share of units in backward areas in the total assistance is rather low because almost all the units assisted by the IRCI are old and are located in the industrially developed areas of West Bengal.

Sector-wise details of assistance sanctioned and disbursed by the IRCI are given in Table III.

TABLE III

Sector-wise Classification of IRCI's Assistance up to End March, 1980

(Period: April-March) (Rupees Lakhs)

Sectors	Sanctions	Disbursements
Private	7782	6560
Public	50	29
Others	—	—
(Cooperative and joint)		
Total	**7832**	**6589**

Source: Report on Development Banking in India-1979-80. An IDBI Publication.

The IRCI was was set up to finance modernisation and rationalisation of existing ventures. The distribution of the IRCI's financial assistance as between purposes is presented in Table IV.

TABLE IV

Purpose-wise Distribution of Assistance Sanctioned by IRCI During 1970-80

(Period-April-March) (Rupees Lakhs)

Purpose	Sanctions
1. Modernisation/Rehabilitation, Balancing Equipment	1558 (19.9)
2. Supplementary Assistance for:	
a. Meeting cash overrun	1918 (24.5)
b. Correcting imbalance in current position	2618 (33.4)
c. Other purposes	1738 (22.2)
Sub-Total [2 (a) to 2 (c)]	6274 (80.1)
Grand Total	**7832** **(100.0)**

Note: Figures in bracket indicate percentages to total.

Source: Report on Development Banking in India, 1979-80, an IDBI Publication.

It is interesting to note that of the aggregate amount of Rs 78.32 crores sanctioned during 1971-80, Rs 15.58 crores was for modernisation/rehabilitation and balancing equipment. This is about 20 per cent of the total. A little less than three-fifths of the total assistance was given to sick units to meet cash overruns and correcting imbalance in current position.

In the beginning, assistance from the IRCI was given mainly for meeting the funds required by the sick industries for payment of statutory dues and other outstanding liabilities, so that they could be creditworthy and begin activities in normal commercial pattern. A recent study shows that there are 345 large and more than 20,700 small sick units in the country.[2] But the number of sick units assisted by the IRCI up to the end of March 1980 has been only 95. It does not even cover four per cent of the total sick units of the country. The amount of financial assistance provided by the IRCI so far has been Rs 78.32 crores. This fund is not sufficient for the assisted units to start with a clean slate since a major portion (58%) of the financial assistance is utilised to meet the cash overruns and correcting imbalance in current position. One can say that this meagre amount of assistance has become completely ineffective to serve any useful purpose. The IRCI cannot restore, although it provided a major chunk of (75%) assistance to priority industries, the sick industries to good health. The rate of sickness is generally greater in case of traditional industries than in the case of priority industries. But the share of the IRCI's financial assistance to the traditional industries is very meagre as compared to priority industries.

The risk involved in financing sick units was considerably larger than was initially foreseen. This is due to the weakness in the basic industrial infrastructure which had been progressively brought to the surface over the past few years. It had been difficult to foresee the present crippling power crises and the additional constraints on the availability of coal, steel and transportation. The inflationary spiral resulting from successive spurts in oil prices had also taken its toll. Organised trade union activities, especially in West Bengal, too have posed problems. The predominance of such external and other internal factors have hampered rehabilitation efforts made by the IRCI which have ended as "holding operations".[3]

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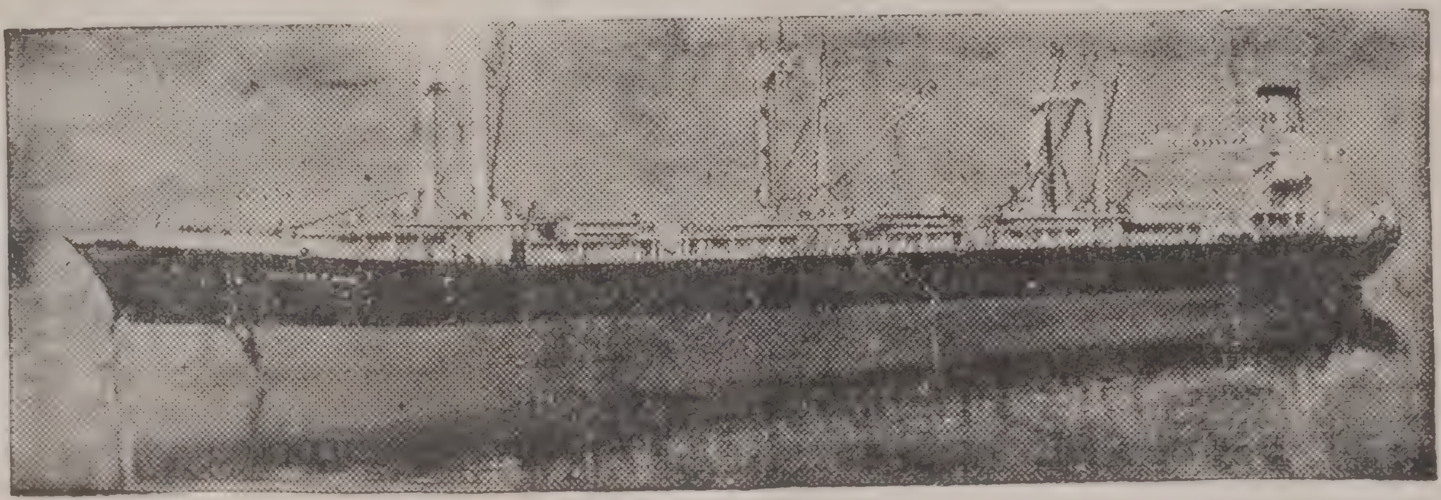

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Trade Deficit : Marginal Decline?

THE CONCERN of the Union Ministry of Commerce over the external trade trends last year will be widely shared, for if they continue this year also, a fresh look may have to be taken on the policy of liberalised imports.

On current reckoning, the trade deficit in 1981-82 is estimated at Rs 5,700 crores. It was only marginally lower than the deficit of Rs 5,790.3 crores in the previous year. The provisional data put exports, including re-exports, at Rs 7,348 crores. The delayed data receipts, not an unusual phenomenon, may raise the final tally to around Rs 7,500 crores. This will mean a shortfall of Rs 900 crores from Rs 8,400 crores target set for the year. Imports during the year are assessed at Rs 13,200 crores.

It is for the second year in succession that the target for exports has proved to be elusive. In 1980-81, exports aggregated to Rs 6,710.64 crores, against the target of Rs 7,100 crores. Imports in that year totalled Rs 12,500.94 crores.

A 15 per cent growth in exports is envisaged for the current year. This year's export target, thus, may be set at Rs 8,600 crores, only marginally higher than the last year's target.

The shortfall in the achievement of the 1980-81 exports target is attributed to the lagged effect of the poor performance of the economy in 1979-80 when there was sharp deterioration in almost every sector, including agricultural and industrial production, overall national income, the price situation and infrastructural requirements, besides the difficult international environment due to global recession, sharp fluctuations in exchange rates and the growing protectionist tendencies in the developed countries. The main factors responsible for the last year's less-than-satisfactory performance are stated to be near-stagnation in world trade, continued deterioration in the terms of trade of primary products and currency fluctuations. Improvement in the domestic economy did help, but the results were not commensurate.

On provisional assessment, some commodities did better last year than in the previous year. But there was a sharp setback to exports of various others. The former included tea, tobacco, cashew kernels, rice, marine products, oilcakes, leather and leather goods, readymade garments, chemicals and allied products, gems and jewellery, machinery and transport equipment, various other engineering goods, hand-made carpets and mica. The latter included coffee, spices, iron and some other ores, raw cotton and cotton fabrics, silk fabrics, jute manufactures and metal manufactures (excluding iron and steel).

Some of the items imports of which in value terms or otherwise went up last year substantially were crude rubber, synthetic and regenerated fibres, petroleum, paper and steel. Imports of vegetable oils, chemicals, medicinal and pharmaceutical products, etc., showed some decline. Resort had also to be taken to some wheat imports to augment the buffer stock.

Wooing Medium Entrepreneurs Abroad

CONCERTED ENDEAVOURS have been planned in the near future to inculcate interest among the middle and small industrial undertakings in the European Economic Community and the United States for transfer of technology to India as well as for collaboration in setting up joint ventures both in India and third countries. During the visit a few days ago of a delegation of the Association of Indian Engineering Industry (AIEI), led by its President, Mr Vinod L. Doshi, to the Federal Republic of Germany, it was agreed that the German Development Bank (DEG) and the AIEI should plan to jointly organise an Indo-German technology programme in New Delhi early next year. This programme will bring together the medium-sized West German companies and the AIEI to interest the former in India's development programmes.

Investment Promotion

Within the framework of the new EEC-India Economic Cooperation Agreement, it has been agreed by the EEC and the Indian authorities to hold an investment promotion and technology transfer conference in New Delhi in January next. This conference will be preceded by three seminars in Dusseldorf, Paris and Birmingham. Whereas the DEG-AIEI programme will focus attention on the engineering field, the EEC-India seminars and conference will be concerned with technology transfers in the fields of electronics, plastics, communications and auto ancillaries.

Yet another delegation, led by Mr A.K. Mazumdar, President of the Indo-American Chambers of Commerce (IACC), which visited the US recently, has sought to inculcate interest among the medium level industry in that country in India's industrial development programmes. An industrial delegation from the US is expected in India during the first quarter of next year in response to the IACC delegation's visit. The IACC delegation consisted of such industries as textiles, chemicals, plantation, paints, engineering, food processing, etc. and legal services and banking. It, thus, sought to stimulate interest in the US in diverse fields.

The above programmes have been proposed in view of the fact that though the medium and small entrepreneurs in the developed countries are in a position to transfer technology to India, and also the Third World, their knowledge about ndia's progress is not up-to-date. his inhibits flow of technology from hem. Serious efforts are to be made even utside the above seminars and conerences to bridge the communication ap which exists among the medium evel businessmen abroad about India's echnology, capabilities and skills.

In West Germany, the DEG is trying to encourage middle and small undertakings to invest abroad. With a share capital of DM one billion, it has financed about 200 industries in 64 developing countries, but India has been able to secure so far only three projects in the engineering sector. The West German industry, which is feeling increasing competition from South Korea and Taiwan, apart from Japan, is interested in collaborating with India because of the latter's large reservoir of technical skills, political stability and vast internal market. It is as well interested in putting up joint ventures in India with buy-back arrangements. Collaboration in third countries, it is felt, offers good scope.

Similar observations have been made by the IACC delegation in respect of the US businessmen. Mr Mazumdar has stated that India could import advanced machine tools from the US and export to that country a vast range of engineering items. There was good scope, according to Mr Mazumdar, for the US coimpanies getting their research and design work done in India.

Growing Appreciation

Interestingly enough, both in the US and West Germany, there is growing appreciation of the recently liberalised industrial policy of India, though some reservations are still being expressed in regard to the operation of the Foreign Exchange Regulation Act.

The AIEI delegation also visited Belgium and Austria and in Belgium it signed an agreement for cooperation with Fabrimetal, AIEI's counterpart there. There is an umbrella agreement providing for promotion of trade and industrial cooperation between Belgium and Indian industry. It calls for the organisation of a Belgium-India joint industrial commission which would aid at eatablishing bilateral trade relations between the two countries and enlarging areas of cooperation not only bilaterally but also in the third countries.

The Austrian visit was a follow-up to the Austrian technological symposium held in New Delhi in November 1981, which was cosponsored by the AIEI. It is proposed to follow up the AIEI delegation's visit to Austria by organising an investment promotion meeting on India in Vienna later this year.

The AIEI delegation as well held a series of meetings with the UNIDO Executive Director, Dr A.R. Khane, and several other senior officials of this organisation. It was agreed that the UNIDO would support AIEI's programmes in the field of energy and training.

Self-Sufficiency in Zinc and Lead

ENDEAVOURS ARE being made to attain self-sufficiency in zinc and lead by 1988-89. Besides the expansion programmes which are being implemented by Hindustan Zinc Limited (HZL) at its existing works, a new smelter, based on the Rampura-Agucha deposits in the Bhilwara district of Rajasthan, has been planned. A draft pre-feasibility report for it has been received from Stolberg of West Germany. The final report on the project is expected from this concern shortly. The Rampura-Agucha deposits are the largest of their kind discovered in the country. They have an established 15 per cent zinc-lead metal content and are amenable to open cast mining. Estimated around 61 million tonnes, they are considered a reliable base for the establishment of smelting facilities in Rajasthan for 100,000 tonnes of zinc and 35,000 tonnes of lead per annum. A feasibility report for their exploitation has been commissioned from SNC of Canada.

Hindustan Zinc currently has capacity to produce annually 75,000 tonnes of zinc and 30,000 tonnes of lead at its two zinc smelters at Debari (Udaipur) and Visakhapatnam and two lead smelters at Tundoo (Dhanbad) and Visakhapatnam. Part of this capacity at present is based on imported concentrates. But with the commissioning of the Rajpura-Dariba mine in Rajasthan to its full capacity by 1984-85—51,000 tonnes of zinc and lead metal—dependence on imported concentrates would be eliminated. The Vizag lead smelter is being expended to 22,000 tonnes capacity per annum from 10,000 tonnes currently. This programme is expected to be completed by June next year.

Treatment Plant

A residue treatment plant, which will improve zinc recovery to 93 per cent from 84 per cent at the Debari smelter, is likely to be commissioned in about a year. Work on the Sargipali project in Orissa, which will annually produce and beneficiate 72,000 tonnes of lead ore, equivalent to 7,000 tonnes of metal, is proceeding well. This scheme is likely to fructify fully by December this year. The HZL has yet another project on hand for pyrite recovery and utilisation. An interim report from IBM, Nagpur, for pyrite flotation from Zawar tailings has been received and flotation tests on Rajpura-Dariba tailings are in progress.

Hindustan Zinc, which incurred a loss of Rs 2.83 crores in 1980-81, as against a profit of Rs 8.76 crores and Rs 5.01 crores in the previous two years, primarily due to serious setback to prices, is likely to break even in 1981-82 with its zinc production going up to 46,516 tonnes from 44,551 tonnes in 1980-81. Lead production last year showed a marginal decline to 14,462 tonnes from 14,925 tonnes in the previous year. The output of refined silver at 16,315 kgs was much better: it exceeded the target. Acute power scarcity in Rajasthan, and to some extent at Visakhapatnam, caused a production loss of as much as 7,988 tonnes of zinc at the Debari smelter and to the extent of about 300 tonnes at the Vizag zinc smelter. Consequently, these two smelters could not attain production to the targetted levels of 31,500 tonnes and 25,500 tonnes of ingots, respectively. Their actual production was 23,215 tonnes and 23,301 tonnes. Both the lead smelters, of course, made an impressive showing and exceeded the production targets set for them. By yielding 6,828 tonnes of virgin lead and 13,056 kgs of refined siiver, the Tundoo lead smelter over-reached its targets (5,000 tonnes of lead and 7,500 kgs of silver) by wide margins. The Vizag smelter produced 7,660 tonnes of lead and 3,259 kgs of electro-refined silver, exceeding the target for the former. The total sales turnover of the undertaking last year increased to Rs 88,27 crores from Rs 72 crores in the previous year. It could have easily crossed Rs 100 crores but for the production loss due to power constraints.

Capital Market Becomes Colourful !

R. J. Venkateswaran writes from Calcutta

THE UNION Finance Minister, Mr Pranab Mukherjee, praised the Calcutta Stock Exchange when on June 7 he inaugurated its Research and Development Division. Mr Mukherjee said that stock exchanges had to play a crucial role in the country's economic development by mobilising people's savings and directing them into productive channels. He referred to the recent trends in the capital market and pointed out that the heavy over-subscription as well as full subscriptions to several new issues indicated clearly the revival of investors' confidence. The Finance Minister remarked that the Government of India's economic policies had lately become more pragmatic which are evident from the liberalisation of bank credit and the several incentives given under the latest budget for promoting savings. He also felt that the private corporate sector should have no difficulty in raising the necessary resources for its development programmes as envisaged in the Sixth Plan. Mr Mukherjee welcomed the move of the Calcutta Stock Exchange to set up its Research and Development Division and suggested that other stock exchanges should emulate this example.

In his welcome address, the President of the Calcutta Stock Exchange, Mr B.N. Khandelwal, said that with the introduction of financial instruments like convertible bond, redeemable debenture, social security certificate, capital investment bond, and the new scheme of the Unit Trust of India, the capital market had become "colourful" and that it was poised to siphon off considerable savings for promoting economic growth. He however regretted that since the head offices of all financial institutions were situated in Bombay, the stock exchanges located in other parts of the country were denied their legitmate share of business from their open market operations. He suggested that such business should be evenly distributed among all stock exchanges and pointed out that this would be possible if regional offices of financial institutions were set up in other cities and they were authorised to buy and sell securities. He felt that such freedom to regional offices was necessary in view of the need for the quick transaction of business in securities due to the frequent fluctuation in their prices. The Finance Minister seemed to appreciate this suggestion. He said that the fact that head offices of financial institutions were all situated in Bombay should not result in the denial of the necessary facilities to the other cities to develop their business.

The President of the Calcutta Stock Exchange drew the attention of the Finance Minister to "a new trend in the capital market." He said that the public were steadily becoming more conscious of their rights as would be evident by the absorption of securities on a selective basis. He therefore suggested that the need to generate greater confidence among the investing public had become urgent. Mr Khandelwal said that if investors were given prompt and efficient service, it would be easy to raise resources from the capital market when required.

The Calcutta Stock Exchange has played an important part in developing the economy of the eastern region. In the coming years, it can contribute even more to promote its growth provided it shows greater initiative and imagination, especially in mobilising the savings from the rural sector. The Research Division of the Stock Exchange should examine why industrial sickness has been persisting in the eastern region to a far greater extent than in the other regions. The June issue of the *Investment Scene*, published by the Calcutta Stock Exchange, says that the crisis in the jute industry continues unabated and that "the investors in jute shares are in despair because no concrete measures have so far been taken to bail the industry out of the crisis." Is it correct to say that the Government has taken no concrete steps to revive the jute industry ? The Research Division should also find out why there has been so little evidence of the growth of entrepreneurship among the local people.

Meanwhile, the Stock Exchange should conduct its training programme for stock brokers and investors in such a way as to be of practical use to them. There should be less emphasis in the programme on academic and theoretical aspects and more on those features which are relevant to the development of the country's economy and the corporate sector.

Outlook in Orissa

THE SEVERE cyclone which hit Orissa recently came at a time when the State's economy had shown some signs of improvement in many directions and several schemes were under implementation for building houses for the weaker sections, for constructing roads in the rural areas, for augmenting the supply of drinking water, and for creating more employment opportunities. While presenting the budget for 1982-83, the Finance Minister, Mr Raghunath Patnaik, referred to Orissa's "quota of natural calamities" during 1981 and said that "despite these adversities, for which the resources had to be utilised, the State's efforts to finance the development programmes has remained unabated". It remains to be seen to what extent the heavy damage caused by the cyclone will strain the State's finances and hold up its welfare schemes.

Over three million people are reported to have been affected by the cyclone, including 200,000 who have been de-

Sundaram Finance Limited

Speech delivered by Shri T S Santhanam, Chairman at the Twenty-eighth Annual General Meeting of the Company held on 14th June, 1982, at Madras.

Dear Friends.

I am happy to welcome you to the 28th Annual General Meeting of your Company.

The Directors' Report and the audited accounts for the year ended 31st December, 1981, are with you, and with your permission, I shall take them as read.

WORKING RESULTS

During the year under review the production of commercial vehicles by the vehicle manufacturers increased substantially resulting in a greater demand for funds from the transport industry.

You will be glad to note that the payments against hire purchase documents during the year rose to Rs 36.63 crores as against Rs 27.41 crores in the previous year, and the stock-on-hire reached a record figure of Rs 63.09 crores at the end of 1981, as against Rs 47.14 crores in 1980.

A modest beginning has also been made in the business of Equipment Leasing in the later half of the year 1981. The value of the equipments for which leasing contracts were concluded amounted to Rs 71.20 lakhs, and orders for Rs 60.00 lakhs as at 31.12.1981 were committed.

DIVIDEND

Your Directors are happy to recommend a final dividend of 10% which together with the Interim Dividend of 10% already paid will make a total of 20% on the paid-up capita of Rs 2.00 crores as in last yea Bonus Shares for Rs 1.00 cro have been allotted early this year which will rank for dividend out of the profits of the Company from the current year onwards.

DEPOSITS

The net accretion of deposits in 1981 amounted to Rs 9.18 crores, taking the total deposits to Rs 35.46 crores at the year end. I would like to express my grateful thanks to the depositors for their continued support. As the deposits accepted and outstanding on date is nearing the limit of Rs 42.00 crores fixed at the last Annual General Meeting, a Resolution for raising the said limit to Rs 50.00 crores is placed for your consideration at this meeting.

OUTLOOK FOR 1982

The past year has been a good one for the agricultural sector showing an upward trend in the production of foodgrains, sugar and other cash crops. There has also been a significant increase in the industrial production, and the growth rate is expected at 8% in 1981-82 as against 4% in the previous year.

The role of road transport in the movement of commodities and their distribution in the interior of the country is of vital importance. I have been emphasising the need for more roads, better roads and better surfacing of roads in the past. I trust that the Government, Central and State, will give greater priority to this essential infrastructure.

The payments against hire purchase documents in the first 5 months are around Rs 14.23 crores as against Rs 13.13 crores in the same period during the previous year. The growth of the road transport industry has slowed down during the past few months as a consequence of the high cost of operation. This is mainly due to the increase in the price of vehicles, fuel, spare parts and tyres. This, in my opinion, is a temporary phase and the demand will pick up after some time. I am confident that your Company will maintain, if not improve on the last year's level of business.

I am glad to inform you that your Company has become a a full-fledged member of the International Finance & Leasing Association in 1981 and derives considerable benefit from the rich experience of member countries.

The response to Equipment Leasing in India is quite encouraging and your Directors hope to write a greater volume of business thereby participating in the development of industries and contributing towards industrial production.

ACKNOWLEDGEMENT

On behalf of the Board of Directors and on my own behalf, I take this opportunity to thank our customers, depositors, bankers and shareholders for the co-operation extended and confidence reposed in the Company and look forward to their continued support. I also place on record my appreciation of the good work done by the staff both in the field and the office.

This does not purport to be a record of the proceedings of the Annual General Meeting.

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prived of their shelter. Besides, water supply, transport, and communications have been disrupted both in the coastal areas and in other parts of the State. The Chief Minister, Mr J.B. Patnaik, said that the cyclone which hit the Paradeep port was "the worst in this century". While the Centre is expected to do its best to help Orissa overcome the effects of this calamity, it is for the State Government to ensure that the funds earmarked are utilised efficiently to provide prompt assistance to the affected people.

Power Situation

Unfortunately, the power situation in Orissa has worsened at a time when the State's economy has been severely damaged by the cyclone and the Government is reported to have taken up relief work on a "war footing". On June 2 the Government announced fresh power cuts, totalling 70 MW, on 22 major industries till July 1. These industries include the steel, fertiliser, ferro-silicon, ferro-chrome, ferro-manganese, caustic soda and paper. The Government should try to restore the cut as early as possible and also expeditously implement the various power schemes.

The opposition parties should also play a constructive role in helping the State Government not only to carry out its relief operations but also to implement the various development schemes. The opposition is, of course, justified in exposing the misdeeds of the Government, yet there should be no attempt to criticise the administration deliberately in order to obtain some temporary political advantage.

What, for example, is the truth about the location of the second steel plant in Orissa? At a press conference in Bhubaneshwar on May 28, Mr Biju Patnaik said that the next steel plant to be constructed in the country would be in Vijayanagar in Karnataka and not in Daitari in Orissa. He described as "standard bluffs" the statement by the Union Industry and Steel Minister, Mr N.D. Tewari, that the steel plant would be located in Orissa and pointed out that Mrs Gandhi had betrayed the cause of Orissa. But Mr J.B. Patnaik told the reporters in Bhubaneshwar on June 5 that he was "absolutely sure that Orissa's second steel plant would be established at Daitari without delay".

Such contradictory statements will not only create confusion in the public mind but will also affect the investment outlook in the State. If Mr Biju Patnaik really thinks that the Centre is not going to locate the next steel plant in Orissa, he and his party should exert their influence to persuade New Delhi to revise its attitude. The State has suffered far too long because of neglect not only by the Centre but also by the State's politicians. The time has come for both to show more sincerity and seriousness in promoting Orissa's economic development.

Problems of Plastics

ADDRESSING THE annual general body meeting of the All-India Plastics Manufacturers Association in Bombay on June 14, Mr Nirmal B. Thakkar, its President, dealt with several problems faced by the plastic industry during the last year and pointed out how the industry had been affected by recession with a decline in production and poor offtake due to consumer resistance.

During the last two decades, the plastic industry has made remarkable progress both in the manufacture of raw materials and fabrication. At present 80 per cent of the requirements of raw materials and almost all types of plastic machines required for the industry are indigenously available. With an investment of only Rs 150 crores, the plastic industry generates a turnover of nearly Rs 675 crores. It provides employment to over one lakh people. While the majority of raw material manufacturers are in the large scale sector, units converting them into rural products are in the small sector. The role of plastics in the field of import substitution and in energy saving has also been significant. Plastics have an advantage over conventional materials like steel, aluminium, paper and glass in terms of requirements of energy to provide the final product. In spite of all this *pe* *capita* consumption of plastics in India, however, is very low.

Somehow the plastic industry has been considered by the Government as a luxury industry and hence the approach has been one of getting maximum revenue by way of excise and import duties. It is to this aspect that Mr Thakkar drew particular attention.

T.T. Vijayaraghavan writes from Bombay

The All-India Plastics Manufacturers' Association, which is the principal spokesman of the industry, submitted a detailed memorandum to the Government on the eve of the budget outlining various steps for the rapid development of the industry. Attention was drawn particularly to the steep hike in the prices of raw materials. The industry was taken aback when instead of providing reliefs, the Finance Minister went to the extent of putting additional burden by including finished plastic articles under the excise purview. This amounted to double taxation. After loud protest by the industry, the Finance Minister withdrew the levy just before the Finance Bill was passed. Mr Thakkar pointed out that it would have been in the fitness of things if the Government had waived the duty payable by the industry during the imposition of the levy and its withdrawal. Mr Thakkar also said that plastic bags made of polypropylene or polyethylene layflat tubing and sheetings as also HDPE and PP woven sacks should be treated as "articles of plastics" and duty exemption accorded to them.

Referring to the committee appointed last year under the chairmanship of Dr G.V.K. Rao, a former member of the Planning Commission, for examining the use of plastics in agriculture, he suggested that similar bodies should be appointed for examining the use of plastics in buildings, transport and so on. His plea that the Government should adopt a growth-oriented approach so that plastic goods are made available to the common man for improving his standard of living will admit of no difference of opinion.

Window on the World

Reagan Recession

Sudhir Sen
New York

By now the United States, according to last year's official forecast, should have seen the high tide of a Reagan economic boom triggered by a supply-side miracle. Instead, it has been presented with an economic debacle. The nation is now wading through a slump which is the worst in four decades.

Much was made of expectational economics in the early months of the Reagan administration. It was emphatically asserted by the front-line Reaganites that the very assurance of legislative approval of Reagan's economic package—with a three-year tax-cut, deep spending cuts, rapid defence build-up, stringent monetary control and quick loosening of business regulation—would spur the economy and spark a rally in the stock and bond markets. The attraction of expectational economics as pressed by a band of young, fire-brand economists, was that it was something entirely new and, in addition, it promised an easy way out of an environment of stagflation.

World of Wishes

That its assumptions belonged almost completely to the world of hopes and wishes, not of facts and realities, was clear to all soberminded people. But the administration was in no mood to heed their warnings. Instead, it bet heavily on it, also irresponsibly since it stubbornly refused to hedge its bets. The gamble has failed. Now the day of reckoning has arrived.

It is amazing that the administration persisted so long in its course even in the face of multiplying warnings from responsible economists of both parties, from businessmen and public leaders, and, above all, the financial markets whose positive response it was so confidently anticipating. The more it looked that the economic package might get through the Congress, aided by the honeymoon the President still enjoyed, his media campaign and his personal lobbying, the more the markets nervously trended downward. The bond market in particular saw huge budget deficits for the immediate future and began to give up whatever ground it had gained earlier. Its reaction to Reagan economics was unequivocally negative. But the President was already a prisoner of his own dogmas. The expectational economics he and his senior aides had warmly espoused now took a grotesque turn. They found fault with the market for not acting according to the prescribed script. And the President personally castigated it for its failure to make correct expectations.

Worst Post-War Slump

By the last quarter of 1981 there was no more doubt of the economy sinking into a recession. Since then the recession which is now officially stated to have begun in July last, has deepened into the worst post-war slump. It is now quite clear that the stagflation malaise the US economy had been afflicted with since the mid-Seventies, has been greatly aggravated by "voodoo economics" reinforced by Friedmanite monetarism. The most urgent task at this moment is a "mid-course correction", if not a course reversal, to pull it out of the rut. But of this there is no sign as yet. Instead, Mr Reagan continues to defend his so-called recovery programme which, he insists, will work if only given enough time. And in addition, he is not surprisingly trying to put the blame for the present ills of the economy squarely on the past. Oddly enough, he does not seem to realise how thin is the ice he stands on in making these assertions and accusations.

The effects of twenty years of wrong policies cannot be corrected overnight—this has been a standard defence orchestrated by the administration and often repeated by Mr Reagan himself. In his more imaginative moments he extends the era of errors to fifty years, going back to the days of Franklin Roosevelt.

The charge against FDR is both stale and wild: He was responsible for expanding the role of Washington, imposing regulations on private enterprise, extending the reach of the Supreme Court, creating huge bureaucracies, introducing "socialism". This is the familiar thesis of the right-wing, dyed-in-the-wool conservatives. Mr Reagan has long owed his allegiance to it, and he is both careless—and careful—enough not to hide it. Airing this thesis is too tempting for him to resist, and every time he airs it, he pleases his hard-core constituency.

This sweeping charge is too superficial, and too absurd, to call for serious comment. Suffice it to say that in the last half-century the nation's GNP has grown enormously. In 1932, the population was 124.8 million and the per capita income a meagre $404, today, the population is 230.5 million and the per capita income, in current dollars, stands at $10,484. This would never have been possible unless prosperity had been spread over the whole nation, embracing workers, farmers and other disadvantaged sections of the nation.

Warped Ideology

By stripping American capitalism of its worst excesses which, in fact, had been directly responsible for the Great Depression, FDR saved it from itself and greatly strengthened its foundations. Ronald Reagan, with his warped ideology. and blinkered vision, is going in the opposite direction. He is doing his best to revive some of its old excesses which can only undermine its foundations.

However, it is unlikely that he will achieve much success in this weird enterprise. Much water has flowed down the Potomac in the last half century, a fact that no President can ignore. Moreover, the checks and balances already in place will checkmate such an effort. This does

Family Planning : Chinese Success

The People's Republic of China, with a population of about one billion people in 1981, has embarked on a deliberate and comprehensive policy to reach zero population growth by the year 2000 or as soon as possible thereafter.

Stressing late marriage, universal use of contraception, and small families, it has reduced its birth rate from 34 per 1,000 in 1970 to 18 in 1979, according to Government statistics. This is a decline unequalled by any other large developing country.

By 1980, as a result of the recent campaign for one-child families, an estimated 51 per cent of all births in China were first births, compared with 35 per cent in Taiwan (1976) and 42 per cent in the United States (1977). Moreover, by 1981 more than half of all couples with one child had pledged not to have another.

By making a vigorous effort, Chinese leaders hope to counteract the demographic momentum generated in the 1950s and 1960s when family planning programmes were not effectively carried out and birth rates generally exceeded 30 per 1,000.

The main features of the Chinese family planning programme (called birth planning by the Chinese) are :

- *strong commitment by national leadership;*
- *a highly organized social structure with strong political control, in which leaders at all levels are held responsible for birth planning activities, and families are rewarded or punished depending on their compliance with reproductive norms;*
- *continuing information education, and motivation campaigns that utilize many different forms of persuasion; and*
- *wide availability of a variety of fertility control methods.*

ot mean that the effort to set the clock ack can be shrugged off nonchalantly. t is bound to create much tension and islocation, at least in the short run. 'his is, in fact, what is happening right ow.

Some supply-siders have glibly argued hat the recession could have been avoied if the original Kemp-Roth proposal—hree-year 30 per cent tax-cut in three qual instalments starting from January , 1981—had not been tampered with, educing it to a mere five per cent cut n October 1, 1981, followed by two 0 per cent cuts on July 1, 1982 and 1983, espectively. Both Representative Kemp nd Senator Roth have used this arguient in defence of their brainchild, so ave several other Reaganites. The Predent, too, eagerly grabbed it in an atempt to deflect the blame for the receson to others.

Spurious Argument

The argument is transparently spuous. Mr Reagan had specifically sought, id obtained, advance concurrence of epresentative Jack Kemp for the final id slightly diluted version of the Kemp-oth tax-cut proposal before he gave s own approval to it. Both had agreed at this marginal alteration would have o adverse effect on the miracle they ere expecting from their much-trumped tax-cut panacea. Besides, last summer, ter having trounced Congress and rried through his budget practically tact, he staged a victory celebration the West Coast. The air was full of gh expectations. There was no suggeson that the "economic mismanagement" the prior twenty, or fifty years could any way tarnish this rosy scenario, rtainly no hint that, at that very moent, a severe recession could be well der way.

No, there is no room for doubt about causes of the current recession, ough it has hit the administration like bolt from the blue. They are high erest rates which have been hanging the stratosphere for twenty long onths, and runaway budget deficits th no indication that they will be ought under control in foreseeable ure. It is futile to look for scapegoats, whether in recent or remote past. What the economy is now going through is a vintage *Reagan Recession*.

The severity of the present recession can be gauged from a few simple facts. The jobless rate has hit 9.4 per cent; this is the highest rate since the last war, and it is expected to rise further—to 10 per cent and beyond.

The utilisation of manufacturing capacity has dropped to 71 per cent; this is close to the lowest level touched in the 1974-75 recession which, until recently, was treated as the worst post-war recession.

Industrial production has been in a downtrend since July last. The output of factories, mines and utilities has already dropped 8.6 per cent. This compares with an average peak-to-trough decline of 8.2 per cent during post-war recessions. Still further production cutbacks are clearly in prospect.

Corporate profits fell $25.2 billion or 17.5 per cent, in the first quarter of 1982. This drop, almost a record, reflects a double squeeze on companies due to declining production and high interest cost. No respite is in sight; indeed, as things now stand, the profit squeeze may continue for many more months.

Detroit remains a disaster area. Despite cut-rate financing, sales remain abysmally low. Production has been trimmed—in the first three quarters of 1980 model year, the industry will produce 4.1 million cars, about 850,000 units behind the prior year's pace. Meanwhile, imports of foreign cars, especially from Japan, continue at a high level.

The housing industry, battered by record high interest rates, is floundering at a depression level. It emitted some flickers of hope that perhaps the worst was over when new housing starts in March showed a slight increase, but the April figure fell 6.4 per cent while even the March figure, on revision, turned out to be a decline. As a result, housing starts have dropped back to an annual rate of 881,000, which is the lowest since last November and only about 50 per cent of what might be considered an acceptable level.

The steel industry was for a while bucking the trend, aided by an ongoing boom in oil and gas exploration, both inland and offshore. The demand for pipes and machinery largely offset the effects of the slump in auto, housing and construction industries. But now the drilling boom has tapered off because of the oil glut and weak crude price. The outlook of the industry has suddenly worsened, and for the rest of the year it looks bleak.

In the first quarter, seven of the nation's 10 leading steel manufacturers lost money. The steelmakers were reported to be operating at 49.1 per cent of capacity early in May, which was a decline of more than 12 percentage points from March. To dispose of their products they are offering discounts as high as 30 per cent on low-grade pipe and 25 per cent for flat-rolled steel, the industry's bread-and-butter product. Faced with a grim profit outlook, the industry is drastically cutting back its spending programmes.

Severe Crisis

The airline industry is passing through a severe crisis. Before it had enough time to adjust itself to the revolution caused by deregulation, it has been hit hard by a deep recession and skyhigh interest rates. The scramble to survive led to cutthroat competition and an orgy of discounts which made heavy inroads into profits. Traditionally a highly leveraged industry, it has been one of the worst victims of stiflingly high interest rates—it has to shell out 40 to 50 per cent of the gross earnings simply to meet the interest cost. Ironically, the relief it got from the oil glut and the easing of gasoline price was more than swallowed up by the soaring cost of money. A major airline, Braniff International, was forced to seek protection in the bankruptcy court. Several other companies find themselves in a highly precarious position and may have to follow suit.

The savings and loan industry has been a victim of record high interest and the continuing slump in the housing industry. It has been incurring heavy losses, and many of its units would have gone into bankruptcy or liquidation but for the ad hoc steps taken to keep them alive with artificial props or to induce them to merge with commercial banks.

The state of small industries in general is pathetic. Unable to withstand the combined onslaught of recession and crushing interest costs, they are going into liquidation *en masse*.

Even farming finds itself in a critical condition, weighed down by the burden of debt compounded by high interest charge at a time of bumper crops and weak farm prices. Foreclosures and liquidation are gaining in frequency. "Without the infusion of additional farm credit at affordable rates, thousands of family-sized farms will be liquidated", predicts the National Farmers' Union.

Flood of Bankruptcies

Bankruptcies are proceeding at a torrid pace, so much so that the courts are unable to cope with the flood. Like Braniff International mentioned above, several large companies had to seek shelter under Chapter 11 of the Bankruptcy Law. This chapter gives a company protection against its creditors, and allows it time to rearrange its affairs under court supervision, including liquidation of its assets and restructuring of its finances, when it is unable to meet the contractual obligations to its creditors. Several large corporations are now teetering on the verge of bankruptcy. Among them is the International Harvester Corporation, the blue-chip manufacturer of farm equipment and one of the 30 components of the Dow Jones Industrial Index, with gross revenues of $7 billion a year. At this moment it seems clearly heading towards Chapter 11.

Last year, around this time, the White House celebrated its victory over the economic recovery programme. Now, faced with the grim litany of facts cited above, it is celerbrating a victory over inflation. Indeed, the rate of inflation, as measured by the consumer price index, has come down considerably—from 12.4 per cent in 1980 and 9.5 per cent in 1981 to an annual rate of 1.5 per cent in the first quarter of 1982. In March, it actually fell 0.2 per cent, the first monthly drop since 1965 and the largest since 1953. Last February, the White House had predicted that consumer prices would rise 7.3 per cent this year. It has r
scaled it down to 5.5 per cent.

The gain on the inflation front lo
impressive, but jubilation should be t
pered by two obvious factors. Ther
no guarantee how long this gain
last; more specifically, how fast pr
will begin to rise once recovery re
gets under way. Besides, the price
ready paid for this gain has been h
rendous. The business of economics
above all, to realise a given objec
at the least possible cost. In its fi
against inflation the White House
totally ignored all cost consideratio
And this has made a mockery of its e
nomic programme.

Speaking in Los Angeles on May
President Reagan said that the re
sion, which he blamed on the De
crats for the nth time, had made "
task" more difficult. But, he add
"gloom and doomers notwithstanding
we are on the verge of a tangible
lasting recovery". After repeated d
lusionments, few are apt to find m
solace in such presidential reassuran
So far the gloom-and-doomers h
proved 150 per cent correct in their
dictions about Reaganomics. And t
will continue to do so until Mr Rea
radically recasts his ill-conceived fi
and monetary policies.

Energy Production in United States

THE UNITED States will rebound to a p
tion of more than 90 per cent self-s
ciency in its energy consumption by
mid-1990s, according to a recently c
pleted study by Predicasts, Inc. the Cl
land-based business information
market research firm.

Predicasts predicts that in 1995 the
will produce more than 91 per cent o
energy needs, compared with a lo
78 per cent in 1978. Contributing to
renewed self-sufficiency is a much la
role for coal and, to a certain ext
nuclear, geothermal and other en
sources in meeting the nation's en
consumption requirements.

As this transition is effected, petrol

oducts and natural gas will decline in eir importance. Although they currently ccount for three-quarters of the US ergy consumption, by 1995 petroleum d natural gas will decline to just 56 per nt of the projected energy consumption 95 quadrillion BTUs (quads).

The Predicasts report forecasts that al consumption will double by 1995 to oduce over 30 quads, or 30 per cent of e country's energy. Total domestic al production is forecast at 1.7 billion ns by 1995. In addition to the renewed terest in coal as an energy source, Pre-icasts sees increasing but modest depen-ence on hydroelectric (4 per cent of the S energy consumption in 1995) and uclear power (8 per cent).

Geothermal and other sources will still e limited to laboratory and pilot plant ages in 1995, because technological and onomic considerations are such that rge-scale commercial development will ot be forthcoming until the 21st century ccording to the Predicasts study.

Decline Predicted

It is predicted that energy consumption r automobiles and motorcycles will ecline by 10 per cent, to 9 quads by 995. Overall, transportation, which ccounted for 32 per cent of the nation's ergy consumption in 1980, will grow at rate of 0.2 per cent per year, compared ith a rate of almost three per cent an-ually between 1965 and 1980. The in-ustrial sector will remain the largest ergy-consuming sector in 1995, when it ill account for 43 per cent of net energy onsumption. Based on a recovery of conomic activity and continued energy onservation efforts, industrial energy is rojected to increase 1.4 per cent per ear, to 28.7 quads in 1995. Although sidential energy consumption grew early 25 per cent from 1965 to 1973, igher energy price, favourable weather onditions and conservation efforts have d to an actual decline since 1973. Resi-ential energy is expected to rebound arginally, increasing 0.5 per cent per ear to almost 11 quads in 1995.

The commercial/institutional sector, hich accounts for 11 per cent of 1980 onsumption, is expected to increase at the rate of one per cent per year, to 7 quads.

Overall, the Predicasts report projects that the US energy consumption will grow at an annual rate of 1.5 per cent, compared with a 3.1 per cent predicted annual growth in the Gross National Product by 1995.

UK Spending Less on Wages

UNIT WAGE costs in Britain are continuing to fall, thereby contributing significantly to the country's climb out of recession.

Defined as wages and salaries per unit per output, in this case in the key manufacturing sector, these costs in three months to March were only 2.7 per cent more than a year earlier and the rate of increase is still on a downward trend.

This was announced on May 19 by the Department of Employment, which also published figures showing that the average earnings of 21 million employees in the year to March rose by 11 per cent. But that figure is inflated by about 0.5 per cent as a result of back pay to some workers. After allowing for that, the more significant underlying increase in the year to March falls a little from the previous month's 10.75 per cent to 10.5 per cent.

So far, less than a third of employees have settled and been paid in the current round. Generally, these settlements have been at lower levels than a year earlier and the effect of lower pay deals for the remainder has yet to be reflected in the index.

Confederation of British Industry figures, also published on May 19, on the level of settlements in manufacturing industry notified in April, show the average was 6.7 per cent. This compares with an average of 7 per cent in the first three months of the year.

As has been the case for several months now, the rate of average earnings increase continues to stay very close to the annual inflation rate. Last month's inflation figure was 10.4 per cent and there is a strong possibility that the rate due to be published later this week will show a drop into single figures.

The underlying trend of earnings increases suggests that settlements will continue to follow inflation down the scale. This is just one of several factors contributing to the increasingly widespread view that Britain will soon be set to secure economie recovery.

It is here that the country's unit wage costs take on special importance. If they continue to decline as sharply as they have been, Britain will have won a major long-term benefit in the battle for international competitiveness.

The most recent comparative figures, for the fourth quarter of 1981 show the UK's unit wage cost as 2.5 per cent more than a year earlier compared with 11 per cent in the USA and 3 per cent in West Germany. The only major competitor to better Britain's figure was Japan with two per cent.

South Korea's Free Import Plans

THE DEPUTY Prime Minister and Economic Planning Minister of the Republic of Korea, Mr Kim Joonsung, has reaffirmed Government's plan to hike the import liberalisation to the current levels prevailing in industrially advanced countries by 1986. The current import liberalisation ratio stands at close to 75 per cent.

Delivering a key-note speech at the seventh joint meeting of the Korea-US Economic Council a few days ago, the top economic policy-maker said that the Government was pushing gradual liberalisation of the financial sector, removal of artificial barriers to entry by new firms, reduction of regulations over direct foreign investments and removal of direct price controls. The Government was also "pressing ahead import liberalisation to the levels currently prevailing in industrially advanced countries by 1986," he said.

With these reforms completed, the Deputy Prime Minister said, "I am confident that the Korean economy will be on to a dynamic growth track once again." His projection is that by 1986, Korea's Gross National Product and trade volume will reach $100 billion and $109 billion, respectively.

Kim has suggested that the United States and Korea engage in the joint development of the Pacific Basin. "By taking advantage of Korea's new foreign investment policies and rich human resource endowments, the US firms can make use of Korea's strategic location in the basin as an offshore export base."

Meanwhile, the Korean Government is moderately bullish in its forecast for the economy's growth this year and the latest prediction mentions a 6·7 per cent gain in the Gross National Product.

In its recent report to the National Assembly, the administration says that its economic management plan for 1982 will be given flexibility and allow a margin of one percentage point in the annual growth target for the total output of goods and services.

Originally, the Government's management plan, presented early this year, put the target at seven per cent. Now the readjusted estimation falls within the range of 6-7 per cent. Last year, Korea's GNP grew 7.1 per cent after a setback of 6.7 per cent in 1980.

Oil Supplies Major Problem for Asia

SECURING ADEQUATE supplies of oil in the remaining years of the 1980's will be the most pressing problem in Asia's fuel situation, according to a study by the Asian Development Bank (ADB).

It is estimated that energy use in the region will increase by 140 per cent during the 1978-1990 period, or from 128 million tonnes of oil equivalent in 1978 to 307 million tonnes by 1990, indicating an increase of 7.6 per cent per annum.

The increasing fuel needs will spell heavier external debts both to finance energy imports and to develop domestic sources of alternative fuel, the ADB study indicates.

The study has revealed that energy problems of the developing countries cause them economic hardship in three ways:

(i) A mounting foreign exchange burden because of increased oil prices.

(ii) Escalating costs of developing alternative indigenous sources of energy.

(iii) A more rapid depletion of noncommercial energy sources in the rural areas.

The survey also discloses that consumption of petroleum products in the region amounted to 100 million tonnes of oil equivalent in 1978 and projected this to rise to 200 million tonnes by 1990.

It is estimated that a total of US $125 billion will be needed for investment in the commercial production of energy in the region during the 1989-90 period.

Iraq-Oman Rail Link

PROPOSALS FOR an Arabian Gulf railway from Iraq to Oman will be put before the six-member Gulf Cooperation Council (GCC) in the near future for preliminary approval. The line, which would connect with a trans-Saudi Arabia railway, already has the support of Kuwait and the United Arab Emirates (UAE). Saudi Arabian interest in the railway will be encouraged by a study of nation-wide transportation possibilities recently submitted to the Ministry of Transport by West German consultants. The report recommends a national and international rail network for Saudi Arabia.

An agreement to build a railway line along the Arabian Gulf to Turkey, to link up with the European rail network, was made in 1978 beiween Saudi Arabia the UAE, Qater, Kuwait and Iraq. The possibility of an integrated Arabian Gulf railway system recently received new impetus when the Managing Director of British Rail's international subsidiary, Transmark, visited the Gulf in December to assess support for the line.

Transmark proposes an integrated railway system linking Iraq, Kuwait, Saudi Arabia, Qatar. the UAE and Oman with high-speed freight and limited passenger service. Connections could be made to Bahrain and the new Abu Dhabi airport Khor Fakkan and Fujairah. The system
also would include Saudi Arabian pl
to construct a double track trans-Arab
line from Riyadh Westward to Jed
through Buraydah, Medina and Mec
as well as a replacement Hejaz railw
along the west coast north to Damascu

High speed trains with a maxim
speed of 124 miles (198 kilometers)
hour would operate along both single a
double tracks, built according to Eu
pean standards.

Recovery in Oils, Fats Production

FORECASTING A production in 1982
59.4 million tonnes of fats and oils an
42.4 million tonnes of oilmeal protei
on the basis of the findings of the rece
session of the Inter-Government
Group on Oilseeds, Oils and Fats, th
monthly report of the Food and Agr
culture Organisation notes that worl
production will recover. But it will sti
remain below trend and below the 198
record, 59.5 and 44.3 million tonne
respectively.

Yields from the 1981-82 world oilsee
harvests have been higher than those o
the previous year mainly because th
weather has been more favourable in th
United States, the largest producer an
exporter, and in India, another larg
producer.

The only exception to the general ex
pansion is olive oil production, whic
has fallen both in Spain and Italy.

World consumption of edible or soa
fats and oils and of oilmeals is expect
ed to resume the upward trend that wa
almost halted in 1981 for fats and oils
and reversed for oilmeals. But the increas
may not match the gains recorded fron
1978 to 1980.

Concerning the overall supply an
demand situation, the report predicte
that prices this season may average be-
low those of last season, especially fo
oilmeal proteins. These lower price
may encourage world trade.

Prices, the report cautions, "will b
further affected by changes in the pros-
pects for oilseed crops," which will b
harvested in the second half of the year
particularly in North America, wher
sowings will begin shortly.

Lead Bank Scheme : Need for an Alternative

A. Raghurama

The author, who is a Lecturer in the Department of P.G. Commerce, Mangalore University campus, avers that the lead bank scheme introduced in the Seventies has not been able to accomplish the desired results. The scheme, according to him, has proved costlier and has been a source of confusion in the minds of the people it is supposed to serve as well as bankers about its aims and objects. He suggests an alternative in the shape of district development corporations which, he says, could serve as leaders in the development of areas under their jurisdiction.

INCE NATIONALISATION, commercial anks in India have undergone a stupen-ous change. They have changed from ategory banks to social banks. Profit-rientation has been replaced by deve-opment-orientation. Several innovations ave been made in the banking industry.)ne such innovation is the lead bank cheme.

In spite of planning, economic deve-opment of our country has not been ven. This has been reflected in the re-ional imbalances in the economic deve-opment and an uneven distribution of esources. We are well versed in draft-ng a blueprint but unfortunately often ail miserably in implementation. It has een realised that a district should be reated as the unit for intensive develop-nent of agriculture, small industry and ther services. Awareness of the need or carrying the fruits of planning o a wider group of people and taking he process of development deeper into he lower strata of the society has recently ecome focal point of economic thought n our country. This is felt necessary or balanced regional development, creat-ng employment opportunities at places where unemployment/under-employment xists and improving the standard of liv-ng of the vulnerable sections of society.

To achieve such development, it was elieved till late that cooperatives would e able to perform the functions of meeting the necessary credit needs and mobilising deposits. But cooperatives have become political hubs rather than inancial agencies. Thus, for this reason and a number of other varied reasons, cooperative agencies have been unsucessful in performing these functions adequately. On the other hand, commercial banks were not geared to perform these developmental functions owing to their urban trade domination and rural bias.

This problem is now being tackled by innovations in the field of banking. The lead bank scheme has been introduced for this purpose. Under the auspices of the National Credit Council, a study group, headed by Prof D.R. Gadgil, conceived the idea of 'area approach' for commercial banks' branch expansion.

Area Approach

The Committee of Bankers, widely known as the Nariman Committee, appointed by the Reserve Bank of India in 1969, accepted the 'area approach' and gave a practical shape to it under the title of 'Lead Bank Scheme'. Towards the end of 1969, the RBI accepted the scheme and all the 336 districts (with the exception of the metropolitan cities of Bombay, Calcutta, Madras and Union Territories of Delhi, Chandigarh and Goa), were allotted among the 14 nationalised banks and three private sector banks. These banks were directed to play the 'lead role' in the development of their districts.

Given below are the highlights of the funtional coverage of the scheme, some of the practical difficulties encountered by lead banks in carrying out their objectives based on the recommendations made by the Banking Service Commission and suggestions for an alternative to this scheme.

The lead banks were expected to cover the following fields of operation in their districts:

(1) To assist agriculture, dairy farming, poultry farming, piggeries and fisheries;
(2) To develop marketing and transport activities related to the above;
(3) To develop small industries like food processing industries, fruit canning, milk products, industries, using the by-products of fisheries, processing of forest products, etc;
(4) To initiate small-scale industries related to local non-agricultural natural resources and those that are market oriented;
(5) To assist workshop type of industries that specialise in repairing and maintainance of machinery and implements as well as consumer durables like watches, radios, bicycles, jeeps and trucks;
(6) To develop industries which provide special type of services like tractor use, spraying, soil testing, technical assistance relating to agriculture and small industry, vocational and technical training institutes;
(7) To assist institutes or agencies providing medical and health services and educational opportunities; and
(8) To keep various professions in the fields of construction, technical consultancy services, medicine, law and so on.

The lead bank scheme has been in operation over the past decade. A glance at its performance as on December 1979, can be had from the table (P1384).

It is observed from this table that nearly a third of the total branches of public sector banks which were allotted were opened in lead districts. The ratio of branches in lead districts to branches outside in the case of some public sector banks is more than 1:2. The then two private sector banks, viz, Andhra Bank and Punjab and Sind Bank, which were originally allotted lead districts are now in the public sector as a result of the nationalisation of six additional banks on April 15, 1980. Under the scheme the State Bank of India group was allotted the highest number of districts (111), followed by the Central Bank of India (46), Punjab National Bank (41), Bank of India (32), Bank of Baroda (30), United Commercial Bank (24), and United Bank of India (23).

The performance so far has been far from satisfactory. Certain banks like Allahabad Bank, Indian Overseas Bank, Punjab and Sind Bank, Union Bank of India, have not faired so well. The only bank which has been successful in opening more branches inside the lead districts than elsewhere is the United Bank of India. Bank of Rajasthan, which is the only bank operating in private sector under this scheme, has not come up to the expected level. Thus, it is clear that the attention of lead banks was direc
more to areas outside their lead c
tricts.

Performance of Lead Banks—December-End, 1979

Bank	Number of districts allotted under Lead Bank Scheme	Number of Offices Opened In Lead Districts	Number of Offices Opened Outside Lead Districts	Total (2+3)
	1	2	3	4
1. **Public Sector Banks** (i+ii)	398	5,330	10,911	16,241
(i) State Bank of India Group†	111	1,269	3,674	4,943
(ii) *Nationalised Indian Banks*	287	4,061	7,237	11,298
Allahabad Bank	9	172	539	711
Andhra Bank*	5	129	271	400
Bank of Baroda	30	493	500	993
Bank of India	32	448	521	969
Bank of Maharashtra	5	165	312	477
Canara Bank	18	305	528	833
Central Bank of India	46	373	651	1024
Dena Bank	10	183	350	533
Indian Bank	9	170	367	537
Indian Overseas Bank	7	106	432	538
Punjab National Bank	41	400	527	927
Punjab and Sind Bank*	1	34	435	469
Syndicate Bank	19	274	394	668
Union Bank of India	8	148	697	845
United Bank of India	23	318	303	621
United Commercial Bank	24	343	410	752
II. **Private Sector Bank**	—	17	108	125
Bank of Rajasthan†	—	17	108	125
Total (I — II)	398	5,347	11,019	16,306

N.B.: †The district jointly allotted with another bank. (—) N.
*Private sector banks which were originally allotted lead districts but nationalised on April 15, 1980.

Source: Reserve Bank of India, Statistical Tables—Relating to Banks in India, 1979, May 1981.

The Banking Service Commission obse
ed the operations of the lead bank sche
for two years and made certain reco
mendations. It observed that the le
bank scheme did not have a good sta
Since its inception, there was a lack
sufficient understanding and even serio
misunderstanding of the scope and o
jectives of the scheme. Each bank focus
on this scheme in its own way. In
article 'Lead Bank Scheme : Progre
and Prospective'. published by R
in its bulletin of November, 1970, it w
stated : "There was much misunderstan
ing about the purpose of surveys; not
mention the functions of the leadersh
in a district. In the minds of banke
the lead bank scheme had obvious
not taken a district operational shape

To conduct surveys of an area in t
manner contemplated by the study gro
of the National Credit Council (NC
was a task which required an organisati
well equipped in modern techniques
designing techno-economic surveys, car
ing out the field work and the work
analysis and interpretation of the da
which could be a costly affair on the pa
of commercial banks. Moreover, the
is a considerable time lag in conduc
ing district surveys, preparation of d
trict plans and their implementation.
a result, when the surveys are complet
and plans are framed it is quite possib
that they are unlikely to be actio
oriented.

The Banking Commission came acro
two divergent views on the lead ban
scheme. First was that the lead bank
a district conducted a district surve
identified places of banking potenti
and offered the list to all interested bank
to open branches; the lead bank itse
would open branches only in those place
which were not taken up by other bank
The second was that the lead bank ha
the full responsibility to open branche
in the district entrusted to it. Thus, ther
was confusion as to the real meanin
and functioning of the lead bank schem
which retarded its progress.

The Commission observed that conti
guity of districts was one of the conside

ions behind allotting districts among nks. But it was not fully followed. In w of the disparate growth of banking the country, large banks of an essen- lly all-India character were allotted tricts far away from their operational a where earlier they had no foot- ld whatsoever. The State Bank of India s given clusters in Madhya Pradesh d Bihar, The Bank of India in Bihar, issa and Eastern UP and the Bank of roda in Rajasthan and Eastern UP. me of the medium-sized regional nks like Canara Bank, Syndicate nk and the Union Bank were allotted ne districts in UP and Haryana.

Inappropriate Allocations

However this inappropriate allocation districts created a lot of operational ficulties for the banks concerned. It s obviously proved difficult at least some banks to develop the personnel tackling local problems and deposit tential in an area relatively less known them. Recruitment of new staff and sting of the existing staff in far-flung as have posed their own problems. ck of knowledge of the local language, riations in customs, aptitude and itudes are also some of the other ndicaps faced by regional banks ich have lead districts far from their se of operations. As a result, super- ion, control and guidance by the head ce became difficult. From this point view, the Banking Commission recom- nded that banks should not be allo- ed 'lead districts' which are away m their principal area of operation. far as possible, regions with which a nk is quite familiar should be the propriate area for its playing the ad' role.

Apart from this, the Banking Commis- n has pointed out that there is the re important question as to whether individual lead banks are the appro- ate agency for conducting detailed no-economic surveys district by dis- t and whether this should not be the per responsibility of the Government ause, if the surveys are to be useful m the point of view of comprehensive nning of credit at the district level, n they have to be closely associated with planning at the district level. Credit planning can proceed only in the framework of planned targets of investment and output. But it is the job of planning authorities to establish the targets taking into account the availability of the finance as well as physical resources. Banks can advise the planning authorities on what resources they can mobilise and take action to ensure that, in their day-to-day operations of financing the various sectors of the economy, the plan is adhered to.

Further the Commission has recommended that the function of planning and banking are entirely different. Banks have to operate in a manner conforming to the plans made by the district planning machinery. Within the framework of district planning, the lead bank can play the part of a financial leader in providing the banking facilities to the district in cooperation with other financial agencies.

Need for Infrastructure

Finally, the Commission states that the extension of banking facilities in a coordinated manner is certainly an important part of the infrastructure needed for development of an area in combination with other infrastructural facilities like transport, communications, storage, processing and marketing facilities. In the absence of such facilities the lead banks can have only a limited success.

In spite of its operation over a decade, the lead bank scheme is still in its infancy and has not received any momentum. It has failed to achieve it main objectives mentioned below.

(1) *Coordination*: Coordination among the RRB's, co-operatives, branches of commercial banks operating within the area, which is the basic function of lead banks in a district, is not achieved by them. There is a lot of confusion among the illiterate village people about the functioning of these financial agencies. All these institutions aim at serving the weaker sections and small and marginal farmers and hence the functions of these institutions are overlapping.

(2) *Balanced Regional Development*: There is considerable delay in conducting the district surveys, in the formulation of district credit plans and annual action plans. As at the end of June 1981, 390 district credit plans had been formulated and annual action plans for 1980 had been implemented. The plans have not yet been finalised for seven districts in the North-Eastern region. As a result, even development of all the districts is not made possible.

(3) *Assistance to Small-Scale Industries*: Lead banks were entrusted with the function of assisting and developing small-scale industries in the rural areas. The total assistance of commercial banks to this sector as on June 30, 1980, was Rs 2,711 crores, i.e., 12.5 per cent of total credit. Small-scale industries, thus, received inadequate financial support from lead banks and in turn lead banks have failed in developing this vital sector of the economy.

(4) *Services to the Weaker Sections*: The main objective of lead bank scheme is to serve the weakest among the weak of the society and small and marginal farmers with the help of an effective branch expansion, supervision and guidance. This basic purpose itself is not justified. As at the end of June, 1981, only 17,230 branches of commercial banks were opened in the rural areas. India is a vast country, consisting of about 500,000 villages inhabited by 60 crores of people. If we consider a branch for every 10 villages, 33,000 additional branches need to be set up. If we assume that the population covered by each branch is 10,000, 43,000 additional branches need to be set up.

Validity of Scheme

As the lead bank scheme has failed in fulfilling the basic purpose, there arises the question as to the validity of this scheme for the reasons mentioned under.

(1) *Other Rural Development Schemes*: When there are RRB's to serve the village economy, village adaption scheme of commercial banks and Integrated Rural Development Programme, there is no necessity of a separate scheme, viz, lead bank scheme, to serve the depressed class of the society. In fact, the emergence of RRB's is due to the failure of lead bank scheme. Besides, conducting of district surveys and maintenance of a

seperate department exclusively for conducting techno-economic surveys would be a costly affair and also would cause delay in the development of districts.

(2) *Lead Banks Not Essential* : A particular district can be developed without the 'lead bank scheme'. A detailed study of a particular district for its intensive development by the lead banks alone is not necessary. In fact, the development of a district depends upon the joint effort of all the financial institutions. In this direction, branches of commercial banks and co-operative banks and RRB's are competent and capable enough to develop a particular district.

An Alternative

In the light of the above, an alternative system can be suggested in the place of the lead bank scheme. District development corporations can be set up in each district. These corporations should function as leaders in developing the districts. Their operational structure should be as under :

(1) *Ownership and Control* : In order to have a better co-ordination between district planning and credit planning and to quicken their process, control and ownership of the corporations must be vested in the hands of the State Governments as well as financial agencies. Thereby, undue delay in implementing the plans can be prevented by exercising due care both by the financial agencies and by the Governments.

(2) *Resources*: The said corporations must be set up with the financial assistance of commercial banks, other financial agencies and State Governments. Two-thirds of the financial assistance should come from commercial banks and other financial agencies. The remaining One-third should be contributed by the State Governments.

(3) *Techno-Economic Surveys* : The task of conducting techno-economic survey and credit planning of a particular district must be entrusted to these corporations. The State Government should take actual initiative in conducting such surveys. These corporations, and to some extent block development offices, must be equipped with a team of personnel well versed in conducting techno-economic surveys. Co-ordination among district development corporations and block development offices should also be maintained while conducting surveys. By this, the function of commercial banking and task of conducting surveys and credit planning can be separated and the burden on commercial banks can be reduced.

(4) *Disbursement of funds*: The disbursement of loans to the weaker sections and small-scale industries can be made through block development offices, as they have the intensive knowledge of a particular area. To ensure proper disbursement of funds, well-trained and experienced personnel need to be placed in these corporations as well as in block development offices.

(5) *Follow-up Action* : It is the responsibility of the corporation to ensure proper follow-up action on the end-use of the loan. Follow-up action can be facilitated through block development offices.

(6) *Co-ordination*: The district dev
lopment corporations must strive ha
to bring about co-ordination among t
financial agencies. The branches of co
mercial banks and other financial i
stitutions must refuse to grant loans
a time for purposes for which loa
once have been granted by district dev
lopment corporations. To facilitate th
an effective management informati
system must be developed among the
financial institutions. Thus, to so
extent co-ordination among financi
institutions can also be achieved.

However, serious thinking is essenti
on the continuence of lead bank schem
which is costlier, causes delay and creat
a lot of confusion among the peop
as well as bankers.

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Focus on Franchising

Dr G. Vee

In franching, the franchisee can share in the goodwill built up by others. In many developed countries, franchising is creating new records in sales, employment and the increase in the number of establishments. Despite its complexities, franchising as a distribution system is one of the most successful ever devised. It has given fillip to the growth of small businesses. The author explains the mechanics of franchising. He believes the system has bright future in India. Only it needs concerted push.

S FRANCHISING a fad or a fashion? ranchising is not a new concept in everal industrially advanced countries. he USA is the home of franchising and, n recent years, it has registered such apid strides that today it has become n integral part of the US economy. Many in India do not know the exact mplications of the term "franchising". n fact, franchising represents many hings to many people.

The term "franchising" comes from he French, and originally meant "to be ree from servitude". Its meaning in oday's context implies the opportunity or one to own ones own business even f one is inexperienced and lacks adequate capital. Franchising is not an ndustry. It is essentially a marketing technique, novel in features. It is a method of distribution of moving products and rendering services to the ultimate consumer. It is the system of capital ownership under which individuals own and operate their own businesses under a license from a parent organisation. It is a business arrangement between a company and an individual, usually with some shared financial and contractual obligations for the benefit of both parties.

During recent years, however, franchising as a type of business operation has been expanding rapidly and entering new areas of application. In every franchise, there are some mutual responsibilities. Since franchising is a form of licensing by which the owner (a franchisor) of a product, service or method obtains distribution through affiliated dealers (the franchisees), the holder of the right is often given exclusive access to a defined geographical area. In reality, a franchisee might be said to be leasing the services and equipment of a franchisor rather than buying them outright. The product, method or service being marketed is identified by a brand name and the franchisor maintains control over the marketing methods employed. In many cases, the operation resembles that of a large chain with trade marks, uniform symbols, equipment, store fronts and standardised products or services.

Basic Types

There are three basic kinds of franchises :

(1) The individually owned and operated franchise;
(2) The company-owned and manager-operated franchise; and
(3) The distributorship or dealership.

In individually owned or operated franchise, an initial franchise fee covers the equipment, opening inventory, some advertising, training and the location of the franchise. Some franchisors require a continuing fee after opening, usually a percentage of the gross.

In the case of the company-owned and operated kind, franchisors buy the land, build the building and lease the whole package to the franchisee. Usually the franchisee pays his initial franchise fee in return for a percentage of the profit of his particular operation. He receives training and supervision, probably on a more continual basis than in other basic types of franchise. It is a more mutual operation than the individually owned and operated franchise because the franchisor has a larger vested interest in the operation.

There are many kinds of distributorship. The most frequently used is a contingent distributorship whereby the company allows the distributor to handle a certain number of the company's units without direct investment. Usually, there is a contract between the franchisor and the franchisee stipulating the use of the company name, the financial responsibilities of both parties and sometimes quotas and territories.

The Relationship

What is the relationship between the franchisor and the franchisee? Obviously, the franchisee is not his own boss because in order to maintain the uniformity of the service and to ensure that the operations of each outlet will reflect favourably on the organisation as a whole, the franchisor usually exercises some degree of continuing control over the operations of franchisees and requires them to meet stipulated standards of quality. How is this advantageous to the franchisee? In return, the individual franchisee can share in the goodwill built up by other outlets which bear the same name. A company which depends upon the successful operation of outlets needs men who are willing to learn the business and have the energy for a considerable amount of effort.

Let us now come to the prerequisites of starting a business. Any person desiring to invest in a franchise business must first make a thorough investigation. This should include evaluation of his own aptitude and attitude towards the type of activity under consideration. It should include a careful review of the terms and conditions of the contract. No one need enter into a contract without a proper understanding of the terms of agreement, and the obligations it places on both parties. This, however, may not be enough. There is no reason why one should not try to get all the relevant data about the business operations. A visit to current outlets in other areas and discussions with the owners will be worthwhile for it would reveal information on facts not otherwise available.

In many developed countries, franchising is breaking new records in sales, employment and in a number of establishments. As mentioned earlier, its progress in the USA has been remarkable. New fields are constantly being developed there. Foreign markets are being expanded. Traditional types of franchising, otherwise known as product and trade name, consists primarily of product distribution arrangements in which the franchisee is identified with a manufacturers' supplies. Despite its complexities and constant flux, franchising as a system of distribution is still one of the most successful ever devised, with more and more franchisors seeking businessmen who have a proven record of success. Traditional franchise agreements, generally known as product and trade name franchising, dominate the US market.

Rapid Growth

A recent survey by the US Department of Commerce has found that the US franchisors have been expanding more rapidly abroad than at home. In 1977, the survey shows, 244 US franchising companies had 14,217 foreign outlets. In 1976, the figures were 243 franchisors with 12,348 overseas outlets. The international growth of franchising can be seen as spreading throughout the world from the USA. According to the US Department of Commerce Survey, the main area of US overseas expansion is in fast-food restaurants. The major countries where it is occurring are Canada, Japan and the UK. In some countries, however, franchising agreements can be difficult to reach.

"Franchising is a good means of overcoming nationalistic tendencies," argues Martin Mendelsohn, a UK lawyer. "When you import a franchise into a country, you are doing something good for that country. You are importing know-how; creating a self-employed businessman where there wasn't one before. You are creating direct employment in each franchise operation and you are creating indirect employment in those businesses that deal with the franchise operation." One of the most successful examples of US overseas franchising is Coco-Cola, whose product is bottled under franchise in many countries. About one-third of all retail sales in the US are through franchised outlets. "It is part of the American dream," says David Acheson, head of the British Franchising Association. "With a little money and a lot of hard work a man can build up a good living for himself and his family through the franchising system."

Fillip to Growth

Franchising, it is felt, has given fillip to the growth of small businesses everywhere. "The basis of franchising is that it can combine the best of small businesses and big businesses in the search for profit," explains David Acheson. It has caught the imagination of small investors by providing them with the opportunity to become self-employed with certain advantages. Majority of the people who go into franchising do so because of the supposedly small investment involved. The franchisor helps to establish one in business, perhaps even helping to find finance and produce the product and the brand name, goods or services. But the franchisee is the ultimate owner of the business. You may ask: why should an outsider be brought into a profitable part of business rather than the franchisor of the company operating branches of its own? The franchisor is looking for an investment of outside capital. He is keen to capitalise on the avid interest and enthusiasm of the individual small businessman. To the franchisor, the system represents a means of marketing a product or service and generally expanding his business without depleting capital, going heavily into debt or diluting his ownership through the sale of equity. It is a very shrewd and clever game, if one may call it so.

"Franchising really boomed in the service industries because they are the ones that have the greatest staff and management problems" says Mendelsohn. In comparison to marketing through a large organisation, he adds, "the franchisee who owns and works, the business is much more highly motivated and is geared up to give the customer far better personal services."

Franchise arrangements have been divided into two broad classes, (1) selective of exclusive product distribution, and (2) trade mark licensing of an enti business format or system. For exampl an automobile or gasoline industr hotel industry and food industry ma expand by franchising retail automobi agencies, gasoline stations, independe motel operators, retail convenience foo stores, restaurants or prepared fast-foo outlets under a system whereby an independent operator or dealer franchise operates a complete business in hi industry—one identified closely with th system, trade names, trade marks an goodwill. This is called a trade mar licence or "entire business system franchising. On the other hand, som companies in the electrical appliances o cosmetics industry may elect and develop a retail marketing system by licensing distributors on an exclusive or selective basis. This is selective or exclusiv product distribution franchising.

The Merits

As regards the merits of franchising it immensely helps both parties, th franchisee (licensee) by having a nationally or internationally known nam (who can resist this?), training, continued guidance and proven method and the consumers to have standards an services and products with quality control. Under the franchise system, as franchisor (entrepreneur), one needs t consider the following prerequisites one wants to go into franchising operations :

(1) If a franchisor so desires, he ma charge an initial fee or lay down certai conditions. The Success Motivation Institute(SMI), which has over 1075 franch sees in 50 States of the USA and 23 i foreign lands markets management, sal and personal development programmes t individuals, companies and Gover ments and other organisations. In th past decade, SMI's sales exceeded hundred million dollars. This mak SMI the world leader and pioneer in th knowledge, communication and educ tion industry.

(2) It is necessary that one h pilot operation with some history a profitable results. To give again th example of SMI, it commenced its bus ness operations in 1960 with a ve modest start. But in about two decad

time, it grew to be the largest in the field.

(3) At the same time, one must prepare a proper franchise agreement in fairness to both the parties. As a franchisor one should put one's know-how in writing in an operations manual. It can be suggested that the endeavour should be to train and motivate franchisees. By internationalising SMI's marketing concept, President Michael Lombardi, who is the Far East Licensee of SMI, Waco, Texas, has multiplied his business by a multiple of ten, running into millions of dollars, and extended his operations throughout Asia and Africa. Lombardi claims universality in the SMI concept, and believes that SMI's is a noble task. It is rewarding and honest work.

Exportable Concept

Is franchising, as a concept, exportable? Experts are unanimous on this. Robert L. Grover, President of Snap-on-Tools Corporation, one of the most promising franchisors, says: "The relationship concept between franchisor and franchisee is exportable. The economic results of franchising are exportable. So we believe that franchising is a valuable export commodity....we have everything to gain and nothing to lose. We have a lot of business to tap". The American Management Association's recent study, Partners for Profits, observes: "First franchisors usually offer products or services which are growth items in that they have never before been distributed on such a wide basis....In the rising economics of foreign countries, changing consumer patterns should make new products and services easy to introduce. Second, franchisors usually offer a business package and the training skills developed by the franchisor allow the franchisee to become a self-sufficient operator quickly."

It has been estimated that several hundred new franchising firms are appearing on the scene each year. There are still plenty of pastures to cultivate. And even for the older firms, the pattern of consolidation and stabilisaiton is not quite like that of more established industries. Franchising, continues to demand a spirit of adventure. The key to success in franchising is this : The franchisee must be matched to the franchisor. Otherwise both may be in trouble. As one authority has put it succinctly, "Anyone who is thinking of buying a franchise ought first to ask himself two questions. First, am I the type of person who is likely to succeed generally in the franchise type of venture? Second, what are my specific needs, desires and abilities? What type of franchise would suit me most? The man who knows the answers to these questions and knows them well is not likely to fail at franchising."

Those who are not fully conversant with franchising would be surprised to know that in America in their search for the correct franchisee, franchising companies have utilised psychological tests, individual screenings, in-depth interviews, advertising, and intensive training. Some companies have developed fullscale "franchisee profiles" against which a prospective applicant is matched. Again the most important problem in franchising is motivation. A lot depends upon this. Harvard University psychologist Charles MacArthur thinks that there are two major psychological needs which supply the motivation for the ideal franchisee—the need for acquisition and the need for autonomy. He calls the sum of these two "the entrepreneurial personality".

We in India lack the "entrepreneurial personality." In fact during the last decade in particular, we have certainly developed this entrepreneurial personality, though perhaps not in a very big way. We have gone into franchising and the days of fullscale franchising are not very far off. We have our chains of hotels and stores. The relevance of franchising for a small-scale entrepreneur does not require much elaboration. The future is certainly bright for franchising in our country. Perhaps what we lack is motivation.

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Rising Demand for Pistons and Accessories

THERE ARE, at present, eight units licenced for manufacture of auto pistons with a total capacity of 58.40 lakh. The total installed capacity, however, is estimated at 54 lakh. Some units have been issued letters of intent and registration for a total capacity of 11.05 lakh. The production of pistons during the last few years has been around 40 lakh.

Separate figures of import of pistons are not available. However, it is estimated that by and large the requirements are met through indigenous sources. The main raw materials required for the manufacture of pistons are aluminium and alloying elements.

The demand for pistons arises from original equipment manufacturers and from replacement requirements. Having regard to the ambitious production programme of commercial vehicle and tractor manufacturers, it is estimated that the demand of auto ancillary would grow at the rate of 12 per cent per annum. Therefore, it is estimated that by 1983-84 the total demand for pistons from all sectors of automotive industry would be around 80 lakh per annum. Though the progress in the implementation of new units has been rather slow, there may not be any shortfall during the next four years.

Piston Pins

The installed capacity for piston pins is reckoned at 50.30 lakh. Letters of intent have been issued to two firms for a total capacity of 12 lakh. The total approved capacity of piston pins is 86.20 lakh.

The production of piston pins for the last few years has been around 42 lakh. It has been estimated that requirements of this item are met through indigenous sources. The main raw material required for manufacture of gudgeon piston pins are alloy and case hardening quality steel. This raw material is partly indigenous and partly imported.

Further demand for piston pins is estimated at 80 lakh by 1983-84. It is estimated that with the capacity which is likely to materialise through expansion of the existing units and the letters of intent already issued there may not be scope for units exclusively established for piston pin production. Integrated proposals for pistons and piston pins may be considered by the Government for additional capacity.

Piston Rings

The present installed capacity of piston rings is around 435 lakh. Two existing manufacturers have been granted expansion of capacity for piston rings. Also, one of the existing units has so far installed only part of their approved capacity. In addition, letters of intent have been issued to one firm for a total capacity of 50 lakh. Thus the total capacity of the units approved is 799 lakh. The production of piston rings during the last few years has been around 300 lakh.

The requirements of this item are being meet through indigenous sources. The main raw materials required for the manufacture of piston rings are pig iron and alloying elements. Pig iron is available from indigenous sources and only a small percentage of alloying elements is required to be imported.

It is estimated that the demand of piston rings by 1983-84 will be of the order of 570 lakh. The existing capacity already approved and likely to materialise would be sufficient to meet this requirement. The item, therefore, does not presently offer scope for fresh capacity.

The following are the existing manu
facturers of these items.

1. M/s India Pistons Ltd, Huzu
Gardens, Sembiam, Madras—Piston
piston rings and piston pins.

2. M/s Escorts Limited, Tej Buildin
8-B, Bahadurshah Zafar Marg, New Del
(units : Bangalore and Patiala)—Piston
and piston pins.

3. M/s Shri Ram Pistons & Ring
Ltd, 23, Kasturba Gandhi Marg, Ne
Delhi (unit Ghaziabad)—Piston, pisto
pins and piston rings.

4. M/s Menon Pistons, Industri
Estate, Shiroli, Kolhapur, Maharashtra–
Pistons.

M/s Metoor Satellite Ltd, Manil
Mansion, Railway Pura, Ahmedabad-
Pistons,

6. M/s Auto Pins (India), Regd offic
Kashmere Gate Delhi (unit : Ghaziabad
Pistons.

7. M/s Hindustan Motors Ltd, Re
Office 9/1 R. N. Mukherjee Roa
Calcutta—Pistons.

8. M/s New Precision (India) P
Ltd, Precision House, Station Ro
Dewas—Pistons.

9. M/s Maco Private Ltd., Kund
Mansion 2-A/3 Asaf Ali Road, N
Delhi (unit : Sonepat)—Piston Pins

10. M/s Shri Ramdas Motor Tra
port Ltd, Regd Office : Subhas Ro
P.B. No. 42, Kakinada—Piston Pins.

11. M/s Auto Piston Manufacturi
Co. Ltd, Batala Road, Amritsar—Pist
pins and piston rings.

12. M/s Goetze (India) Ltd, T
Building, 8B Bahadur Shah Zafar Ma
New Delhi (unit : Patiala)—Piston Rin

13. M/s Perfect Circle Victor L
S. 305 L.B. Shastri Marg, Mulund W
Bombay—Piston Rings.

STATE OF THE ECONOMY

lew Bank Branches

HE RESERVE Bank, under its
ew branch licensing policy,
as suggested one bank branch
n an average for 17,000 popu-
ltion, on the basis of 1981
ensus in the rural and semi-
ural areas.

To achieve this objective,
bout 8,000 additional offices
e expected to be opened in
e next three years. The
olicy will be operative from
82-83 to 1984-85. RBI has
ked the banks to achieve
is objective by 1985.

ccording to a Finance Minis-
y press release, the thrust of
e new policy continues to be
improving the availability
banking facilities in the
ral and semi-urban areas and
achieving a more even
atial distribution of offices
the country.

The State Governments are
ing consulted by the RBI
the matter of identifying
banked rural centres—
ckwise in each district.

Hilly regions, regions which
sparsely populated and
bal areas will be given
ecial consideration and
nch expansion in such areas
l not be determined by
pulation criteria but will be
owed on a comparatively
eral basis, taking into
ount the existing gaps in
availability of banking
ilities, banking requirements
identified groups of popu-
ion and growth in economic
ivities.

It is estimated that according
the new branch licensing
icy, about 550 additional
ces of commercial banks,
luding regional rural banks,
uld be required to be open-
in the North-Eastern region
l 1,758 in Uttar Pradesh.

he total number of bank
nches in the country which
od at 8,262 before nationalisation in 1969 had increased to 37,101 by the end of November last. As a result of sustained efforts in this direction, the population coverage of the banks has improved significantly. There was one bank office for 65,000 people in 1969 whereas there is one bank office now for 19,000 people on an average (1981 census). The improvement is marked in respect of the States which were severely under-banked a decade ago. Total number of branches in rural areas has increased to 18,749 which constituted over 50 per cent of the total branch network of commercial banks in the country.

Handicraft Exports

Keeping in view the encouraging performance in 1981-82, the Ministry of Commerce proposes to fix a target of Rs 415 crore for the export of handicrafts in 1982-83. The break-up of the target, excluding gems and jewellery, is: woollen carpets, rugs and druggets Rs 200 crores, art metalware Rs 80 crores, woodwares Rs 15 crores, hand-printed textiles and scarves Rs 50 crore and other items Rs 70 crores.

Export earnings from handicrafts in the first 10 months of 1981-82 showed an increase of 21 per cent over the same period in 1980-81. These amounted to Rs 313.6 crores against Rs 295.5 crores. An item-wise analysis of the performance shows that although there was a rising trend in the case of woollen carpets, art metalwares, and imitiation jewellery, exports of woodwares, textile-based handicrafts such as handprinted textiles and scarves, shawls as artwares, embroidered goods and zari and miscellaneous handicrafts came down.

The standing committee on handicrafts discussed the export target and problems, particularly relating to finance, at a meeting held recently. It was felt that packing credit limit for handicrafts (other than carpets) should be increased from 90 days to 180 days and the existing credit curbs on the handicrafts sector should be relaxed. A suggestion was also made for design and technical development, market studies, participation in foreign exhibitions, display of goods in important towns, and increasing infrastructure facililies for the export of handicrafts.

The committee decided to form a panel on export promotion to study the problems and exports of handicrafts in depth.

Imports of Raw Cashewnuts

The Commerce Ministry recently notified the distribution procedure for imported raw cashewnuts during 1982-83. According to a public notice, the procedure for distribution of not less than 50 per cent of the imported raw cashewnuts which have to be offered by any of the importers for distribution through the Cashew Corporation of India to eligible actual users will be:

The eligible importer shall within seven days from the conclusion of import purchase intimate, in writing, to the Cashew Corporation, Cochin, in the form prescribed by the corporation, the details of purchase concluded by the importer even pending signing of a formal contract. The intimation will be followed up within a fortnight from the conclusion of import purchase, by the original contract with a photostat copy for registration by the Cashew Corporation. The importer shall also remit by demand draft, registration charges to the corporation calculated at 1/2 per cent of the c.i.f. value of the purchase, alongwith the intimation of import purchase.

The intimation shall also clearly indicate the quantity of raw cashewnuts offered to the corporation for distribution to eligible actual users, which will not in any case be less than 50 per cent of the quantity proposed to be imported, and other terms of sale.

The corporation will register the contract within seven days from the date of its receipt from the importer together with a letter of authority which will indicate the quantity to be cleared by the importer and the names of eligible actual user alongwith the quantity of of raw cashewnuts to be given to each of them. The customs authorities will allow clearance of the goods on the strength of such letter of authority.

Indo-Australian Trade, Cooperation

The Indian Chamber of Commerce has brought out a publication titled 'India-Australia : Economic Cooperation and Trade Prospects'. The study contains a brief background of the Australian economy, trends in foreign trade, and policies regarding foreign investment and taxation. It has attempted to identify possible areas of cooperation in trade and industry.

Although trade between India and Australia has been expanding during the last few years, the pace of expansion is modest. From a level of US $217 million in 1974-75, the total trade between India and Australia increased to US $ 300 million in 1979-80. The growth in trade has been accompanied by a diversification in the products traded between the two countries. India has always had a deficit in the trade balance with Australia barring in 1977-78. The deficit was US $ 60 million in 1979-80.

Only 1.5 per cent of India's global exports are bought by Australia and imports from Australia constituted hardly 1.6 per cent of India's total imports. From the Australian side, imports from India account for only 0.77 per cent of Australia's total imports and Australia's exports to India form only 1.1 per cent of its total exports. The study points out that India's imports from Australia have been increasing faster than its exports to Australia.

The study has emphasised the need to give a further push to exports from India of items like jute, tea, and engineering goods, etc. It has pointed out that Australia imports large quantities of several items which India is in a position to supply. Some of these are paper and paper board, office machines and equipment, coffee, tea and spices, furninure and clothing accessories. Although Australia with a population of about 15 millon is relatively a smaller market, its high income level gives ample scope for exports of Indian goods to the Australian market.

The study has highlighted the scope to expand economic cooperation in Indo-Austratlian joint tendering for projects in third countries, cooperation in the field of agricultural research, and promotion of package tours for Australian tourists to India. Even though there are ten Indo-Australian of foreign collaboration agreements at present, there is growing opportunity to expand such collaborations. There is need to bridge the information gap on a continuing basis, and the study suggests that the Indian missions abroad and the agencies involved in export promotion have an important role to play in expanding economic cooperation between the two countries.

Duty-free Import of Metals

The Union Government has allowed import of aluminium, copper, nickel, magnesium and silicon, with duty exemption benefit, against the export of aluminium pistons.

A public notice issued by the Chief Controller of Imports and Exports in this regard, has stated that in the case of solar energy equipment under Open General Licence (appendix 10 of the import policy), the importer will furnish certain details to the Director (Administration), Commission for Additional Sources of Energy, Department of Science and Technology., New Delhi, within 15 days of the clearance of goods from the customs.

Pound-Rupee Exchange Rate

The pound sterling has become cheaper by five paise following the upvaluation of the rupee by 0.3 per cent by the Reserve Bank of India on June 9. The bank has fixed the new middle rate at Rs 16.70 against the earlier Rs 16.75 per pound.

Imported Fertilizers: FCI's New Scheme

The Food Corporation of India (FCI). will soon launch a scheme for distribution of imported fertilisers in 50 kg packs through a network of retail outlets even in remotest villages to facilitate farmers to draw their requirements at their doorsteps. The scheme, being launched for the first time by FCI, provides appointment of dealers at each block in every tehsil, besides converting into retail outlets the centres where FCI had stored the fertiliser. The dealers will exclusively sell FCI's non-potassic pool fertiliser at the issue prices fixed by the Central Government from time to time. They will get and will be entitled to actual road transport charges subject to the ceiling of equated freight fixed by the Central Government for institutional agencies every year. The dealership offered will be for an initial period of one year and could be extended subsequently.

UK Aid for Orissa Cyclone

The British Government has offered a grant of £ 10,000 (approximately Rs 1,70,000) towards the cost of immediate relief measures to alleviate the severe problems faced by the people of the districts most seriousy affected by the cyclone which struck the coast of Orissa recently. The grant would be available in cash or relief materials to the Government of India, the Government of Orissa or voluntary organisations, according to whatever the Government of India decides. The British Government has provided disaster assistance to India on a number of previous occasions. A total grant of £350,000 (Rs 59.5 lakhs) was provided during 1977 at the time of the cyclones in the Southern States of Andhra Pradesh, Tamil Nadu and Kerala; £762,500 (approximately Rs 1.3 crores) was given to the Indian Red Cross through the British Red Cross at the time of the floods in Northern and North-western India in 1978; and materials in the form of 10,000 blankets and 235 rolls of polythene were provided to the Gujarat Government during the floods in 1979.

Coal Price Hike Will Hurt Mills

The Indian Cotton Mills, Federation has made a strong plea to the Government to defer the implementation of the coal price hike announced recently. The cost-push of the textile industry, already causing a severe strain on the economic working of most mills,, has been further aggravated by the upward revision of the basic price of coal on an average by Rs 27 per ton in grades A, B, and C. The federation has stated that this was the fifth revision since the nationalisation of the coal mining industry in 1973. Immediately after nationalisation there was a ten per cent rise, followed by a 35 per cent mark-up in 1975. In July 1979 the coal prices were further raised to almost 40 per cent. The fourth price rise of 17 per cent was announced in Februrary 1981.

The latest hike works out to 18 per cent. Accordingly, the average basic price of coal from Central India Coal Fields area will go up from Rs 155.66 to Rs 182.66 per ton. in grades A, B & C. The textile industry accounts for an annual consumption of 2.5 to 3 million tons. Hence
the total burden on the
dustry due to the hike in c
prices would be around R
crores on the basic price al
says the federation.

McNamara Fellowsh
India's Contribution

India, Pakistan and P
are the first World B
member-nations to m
contributions to the Rober
NcNamara Felowship Fu
The Government of India
pledged $ 500,000, the Gove
ment of Pakistan $250,0
and the Government of P
$200,000. The Robert
McNamara Fellowship Fu
was established in April
recognition of Mr McNamar
contribution to economic de
lopment during his 13-y
tenure as President of
World Bank. The World B
has made a contribution
$1 million to the Fund.
income generated by the c
tributions from member co
tries and the World Bank
be used to support stude
from World Bank memb
countries for 12-month peri
for full-time study or resea
at the post-graduate level
fields related to econo
development. The fellows
programme will be launc
in the 1983 academic year

Gujarat State Financ
Corporation

The Gujarat State Fin
cial Corporation (GS
has sanctioned term loans
Rs 59.10 crore in 198
as against Rs 45.34 cror
the previous year, registe
a significant rise of 30 per c
Disbursement of loans v
also higher at Rs 33.05 c
as against Rs 27.51 crore,
increase of 20 per cent.
the sphere of recoveries,
amount of Rs 27.46 crore
recovered reflecting a
nomenal rise of 40 per
over the previous year.

In its lending operati
the corporation laid sp
emphasis on lending
small-scale industries p
cularly to tiny sector u
Loans amounting to Rs 3
crore were sanctioned
1270 small-scale

ecording a rise of 44.6 er cent in number of units. he corporation granted loans f Rs 100.39 lakhs to 452 rtisans and craftsmen reuiring loans upto Rs 25,000 nder its mini-loan scheme.

To promote industrialisation, SFC adopted a novel straegy of providing assistance t the doorsteps of a group of 0-15 entrepreneurs. In co-rdination with other State gencies GSFC granted ssistance of Rs 1.88 crores to 8 entrepreneurs.

In these centres, the CED rranged a training programme or the entrepreneurs, GIDC rovided infrastructural facities and GSFC received, rocessed and sanctioned loan pplications at the doorstep ith the assistance of DIC's. his experiment has proved be very successful and is eing further pursued in the urrent year.

ighth Finance ommission

The Government has decidd to set up the Eighth inance Commission under the hairmanship of Congress(I) eader, Mr Y. B. Chavan. he previous commission was eaded by Mr K. Brahmaanda Reddy. The commison will suggest the pattern of istribution of revenues to the tates arising from income-tax, xcise duties and custom evies, besides grants-in-aid nder Article 275 of the Constution. The devolution of unds to the States through e commission's recommendaons will be apart from what ey would get as assistance owards Plan programmes.

oviet Assistance for luminium Project

An Indian expert team, led y Mr R. Ganapathi, Secetary to the Department of Mines, will leave for Moscow ext month to negotiate for oviet financial assistance for ne Rs 500-crore Andhra luminium Project.

The Union Minister of tate for Industry, Steel and Mines, Mrs Ramdulari Sinha, aid that the Government was preparing a detailed plan for implementation of the 600,000 tonnes project.

The Central Government has commissioned MECON to prepare a feasibility report for setting up a captive thermal plant with four units of 67.5 MW each at Korba Aluminium Plant in Madhya Pradesh. The report is expected by the end of next month.

From the date of approval, the first unit of the plant would be commissioned in 39 months and every additional set once in three months thereafter. Mrs Sinha said that production in the Bharat Aluminium Limited at Korba had been less than 50 per cent of the installed capacity owing to acute power shortage.

Exports to USSR

The Soviet Union has finalised contracts with Indian manufacturers and exporters for the supply of a wide range of items worth Rs 1,600 crores in 1982.

This would mean that the USSR has already entered into deals to the extent of 90 per cent of the current year plan provision of Rs 1,760 crores, agreed to between the two countries.

The contracts finalised by various Soviet agencies with Indian manufacturers, exporters and public sector corporations cover a number of items including engineering equipment.

The purchases range from woollen knitwear, cotton fabrics and garments, woollen blankets and fabrics, tobacco, cashew spices, cigarettes, jute and jute products, to tea, coffee, fruit juices, detergents, cosmetics and spectacle lenses.

On the engineering side, contracts have been finalised for machine tools, power cables, dry batteries, steam boilers, freight containers, textile machinery and garage equipment apart from machinery and equipment required for Soviet-assisted projects in other countries.

Besides these items, machinery and equipment, India will also export pumps and compressors, shoe polish, natural silk fabrics, cut flowers, finished leather and shoe uppers.

India, on the other hand, will import different items valued at Rs 1,500 crores as per the annual trade plan for 1982.

Supplies from the Soviet Union will cover crude oil, petroleum products, non-ferrous metals, newsprint, fertiliser, DDT, as well as machinery and equipment required for Soviet assisted projects in this country.

The soviet Union has emerged as the single largest trading partner of India. It accounts for about 16 per cent of India's total exports. In 1981, India exported goods worth Rs 1,600.8 crores to the USSR, while the total export earnings in 1981-82 are estimated to be around Rs 7,500 crores.

The Soviet purchases have gone up over the years. Against Rs 963 crores in 1980, India's exports in 1981 rose sharply to Rs 1,600.8 crores. On the import side, the USSR supplied goods worth Rs 945 crores in 1980 which touched a staggering figure of Rs 1,276 crores in 1981.

LIC Business

The Life Insurance Corporation (LIC) achieved an all-time high record in its history by securing Rs 3,486 crores of individual business in the country during 1981-82. This marked a growth rate of 21 per cent over the previous year. according to an official release.

The southern zone with a sum assured of Rs 1011.16 crores on 66,4000 policies, took the pride of place among the zones. It was followed by the western zone with an assured sum of Rs 809.22 crores on 493,000 policies and the eastern zone with Rs 561.42 crores on 375,000 policies. The northern zone secured a business of Rs 554.24 crores on 265,000 policies, while for the central zone the figure was Rs 550.10 crores.

The central zone scored over all the other zones with an increase of 29.1 per cent over the previous year's business followed by the eastern-zone, which registered a growth of 26.7 per cent.

Among the divisions Bombay and Calcutta stood first and second on sums assured as well as the number of policies. They were followed by Delhi and Ahmedabad.

Capital Bonds

Capital investment bonds will be open for subscriptions from June 28 and will be issued in multiples of thousand, the Finance Ministry announced recently.

The tax-exempt bonds will carry seven per cent interest and will have a maturity period of ten years.

The Union Government has assumed receipts of not less than Rs 250 crores from the capital investment bonds, one of the two instruments of savings announced in the budget for 1982-83.

The bond will be in the form of stock certificate and will be transferable by means of a transfer deed. The bonds cannot be converted into any other form of Government security.

World Bank Loan for Rural Electrification

About 500,000 households and 100,000 commercial conssumers are to benefit from the project to be financed by World Bank. The widespread improvements will enable 25,000 small industrial enterprises to be connected to the distribution network, and 18000 villages to have access to the grid. Over half a million irrigation pumps will be electrified, greatly easing irrigation procedures for farmers. Implementation of the project will be the responsibility of the State electricity boards under the direction of the Rural Electrification Corporation. The State boards will present proposals for new power distribution schemes to the Corporation for appraisal of technical, financial, and economic aspects.

Equipment and materials for

some 3,500 rural electrification schemes, which meet eligibility criteria, will be financed under the project. About 100 distribution system improvement schemes will also be assisted. The project, which is part of the country's latest five-year development Plan for the power sector is the third rural electrification project to be assisted by the Bank. Funding of US-$ 175 million for the second rural electrification project was approved in 1979. The World Bank loan is for 20 years, including five years grace at 11.6 per cent interest per annum; the loan also carries an annual commitment charge of 0.75 per cent in undisbursed balances, and includes a front end fee of 1.5 per cent on the amount of the loan.

Duties on Caprolactum

Having regard to the prevailing prices of imported caprolactum, the Government has decided to restructure the excise and customs duty rates applicable to this commodity. For indigenously produced caproloctum, the basic excise duty rate has been reduced from Rs 28.5 per cent ad valorem to 15 per cent ad valorem. For imported caprolactum, the import duty has been increased from 25 per cent ad valorem to 55 per cent ad valorem. In addition, countervailing duty would also be leviable on imported caprolactum. These changes came into effect from June 5, 1982.

Thal Fertilizer Project

Larsen and Toubro Limited (L&T) will supply and erect two primary reformers, each of 1350 tonnes capacity per day, to India's largest gas-based single stream ammonia complex being set up by Rashtriya Chemicals and Fertilizers Limited at Thal, Maharashtra. L&T won this Rs 24-crore order against stiff international competition. Under another order, L&T is supplying critical equipment such as Benfield absorber/regenerator towers, shift convertors and secondary reformers of the value of about Rs 10 crores. The primary reformers for the Thal project are the largest ever to be constructed in India and are to be set up in a record period of 21 months. Most of the equipment going into the primary reformers—like the major critical heat recovery coils—will be fabricated at L&T's Powai works. The total equipment supplied by L&T, about 3,500 tonnes in all, will be erected by L&T's wholly owned subsidiary, Engineering Construction Corporation Ltd (ECC).

Promising Sesamum

The Kerala Agricultural University has evolved a new high yielding hybrid sesamum called Kayamkulam-2. The new variety will prove a great boon to the sesamum growers because of its excellent yield potential. The average yield of this new variety is found to be 500-600 kg. per hectare. Its oil yield is 55 per cent. This short duration crop takes 80-85 days to mature. Kayamkulam-2 is a derivative from the cross between PT 58-35, a Gujarat variety and Kayamkulam-1, the existing high yielding variety which is a pure line selection from the local variety. It has combined the multipoded nature of the female parent PT-58-35 and branching nature and increased oil percentage of Kayamkulam-1. The average height of the variety is 105 cm with 2.6 branches.

Indo-Burundi Economic Cooperation

Ways and means of increasing and diversifying Indo-Burundi trade and economic cooperation were discussed, recently, when the visiting Burundi Minister of Commerce and Industry, Mr Albert Muganga, called on the Union Commerce Minister, Mr Shivraj V. Patil. Mr Patil stressed the need for identification of specific areas and projects for promotion of trade and industrial cooperation and said that delegations of businessmen and technical experts should visit each other's country for this purpose.

Mr Muganga invited a delegation from India to his country in the near future. He said that before the visit of this delegation, Burundi would send a list of products and projects in which they were interested in collaboration with India so that the composition of the Indian delegation could be determined accordingly. He also referred to the role of Indian business community in Burundi in the development of their trade and industry.

Mr Muganga said that after a visit to some of the Indian industries, his delegation found that Indian products were very much competitive in price vis-a-vis the products of some developed countries. Mr Patil said India had developed the technology which was appropriate to the co-developing countries and assured all help for the development of Burundi. Mr Muganga appreciated India's role in South-South cooperation.

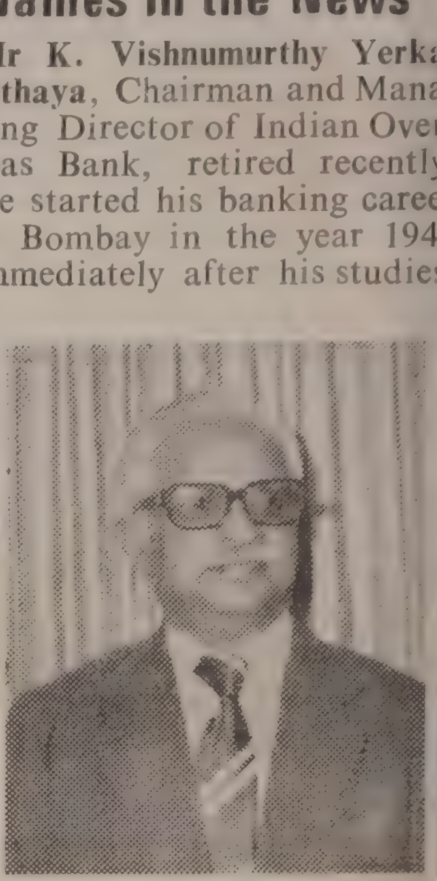
Himalayan Hydroelectric Potential

A high-level meeting held in the Planning Commission recently decided to set up three working groups to develop new approaches to utilise the Himalayan hydroelectric potential without causing environmental imbalances and socio-economic stresses to local inhabitants. Aspects to be specifically studied by the groups are impact of various activities of a project on the ecology of the region, impact, on the local population, measures for watershed restoration, cost benefit analysis, functional life of hydroelectric projects and multi-disciplinary review of the feasibility of setting up hydroelectric projects in the high altitude region.

The meeting also decided that keeping in view the nature of Himalayan eco-systems, the damages done to it due to a variety of developmental activities must be rectified on priority basis by coordinating restorative work of different agencies. The fast-flowing rivers and streams of the Himalayas offer hydroelectric potential of nearly 43,000 MW at 60 per cent load factor, but only seven per cent of the potential had been utilised till 1978. The demand for power is expected to increase fou fold in the next 20 year Keeping the hydropotentia and requirement of energ needs in view, nearly 200 hydroelectric projects have bee planned.

Names in the News

Mr K. Vishnumurthy Yerkadithaya, Chairman and Managing Director of Indian Overseas Bank, retired recentl He started his banking caree in Bombay in the year 194 immediately after his studies



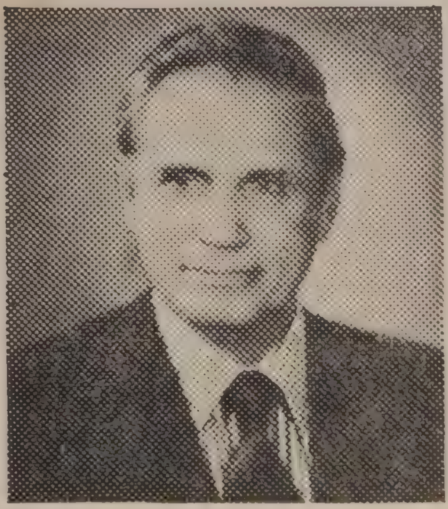
He took over as the Executiv Director of the United Asia Bank Berhad in Kuala Lumpu which emerged out of th merger of the Malaysian branches of the three Indian bank viz., Indian Bank, Unite Commercial Bank, and India Overseas Bank.

He became Deputy Genera Manager of Indian Oversea Bank in 1973 and Genera Manager in 1976. In 197 he was appointed as Chairma and Managing Director o the bank.

He was past President o Rotary Club of Kuala Lumpu President of Bharat Club (club formed by Indian e patriates in Malaysia), President of Sri Sarada Ramakrishna Sangha, and a Truste of the Mahatma Gandh Memorial Trust in Malaysi He is one of the Directors o Agricultural Finance Co poration Ltd, Member of th Governing Board of Nationa Institute of Bank Managemen Member of Managing Committee of Indian Banks Association and Fellow of India Institute of Bankers.

Excerpts from State Bank Chairman's Speech

Efforts to step up productivity in State Bank



Shri P. C. D. Nambiar

Shri P. C. D. Nambiar, Chairman, State Bank of India, addressing the shareholders at the 27th Annual General Meeting at Calcutta on Friday, the 16th April, highlighted the Bank's performance in 1981 as

- record growth of Rs. 1,723 crores in deposits
- all time high in lendings to Priority Sectors — growth of Rs. 674 crores
- profits at Rs. 15.12 crores up by 25.8%.

Shri Nambiar also announced the impending opening of the 6000th office of the Bank, which makes it one of the largest banking networks in the world. He added that the recent exercise in Long Range Planning would enable the Bank to meet the emerging challenges by a process of futuristic thinking.

Reiterating the deep sense of commitment of the Bank in implementing the new Twenty Point Programme he said....

I consider the Integrated Rural Development Programme (IRDP), an essential component of it, as of considerable significance. There are, however, a few problems which require attention. First, I feel there should be no target-oriented approach in covering a minimum number of beneficiaries per block and the number should depend upon the potential existing in a particular area. Secondly, as most of the beneficiaries of the IRDP would also be eligible for the concessional rate of interest under the DIR Scheme and as the total quantum of loans to be made by the banking system during the Sixth Plan period would amount to a substantial figure of Rs. 5,000 crores, the implications of these lendings on the overall profitability of the banks would have to be carefully examined. Thirdly, since priority under IRDP is expected to be accorded to the lowest strata of the rural poor, the problem of entrepreneurial development calls for urgent consideration. Lastly, lending of this magnitude would mean administering about 100 lac additional loan accounts over the Sixth Plan period which would create enormous difficulties in the areas of accounting, control and supervision, systems and procedures and flow of information. Managing such a large number of accounts would entail a considerable degree of advance planning including manpower planning and training of field staff and further, a certain degree of mechanisation and computerisation would be inevitable. Banks need the active support of the Government of India in this regard.

Productivity

In this 'Year of Productivity', we bankers owe it to the nation to increase productivity in our own industry. The Government of India have recently issued a number of guidelines to banks to improve attendance and punctuality of their employees and also to control overtime wages. These measures are directed towards improving the efficiency of operations. Welcome as these measures are, what has to be appreciated is that they are not sufficient by themselves and it is for the banking industry to initiate further steps in this regard. In a service industry like banking, unlike manufacturing industry, it would be difficult to quantify 'productivity' in all its aspects. How do we then judge the productivity of banks? In my view, it would need to be determined with due regard to the environment in which banks function today and the expectations of the Government, the central banking authority, the shareholders, if any, and above all the public whom we seek to serve. Productivity in the banking industry would thus be reflected in quantitative terms, for instance in the per employee deposits, advances, other business and profits. Even this would not, however, be a proper index of quantitative productivity as with increased emphasis on covering the weaker sectors, a further classification taking into account the extent of coverage in the fields of agriculture, small scale industry and small business would have to be considered in order to facilitate comparison from year to year, between bank and bank as well as branch and branch. From the qualitative angle, the improvement in customer service, the quality of lending and recovery of loans, the state of internal housekeeping, management information system, and the morale and motivation of employees would be indicative of the level of productivity. It would be seen that while quantitative parameters might lend themselves to comparison, assessment of qualitative aspects would at best have to be left to value judgement.

As conditions differ from bank to bank, each bank would have to devise its own plan of action to improve productivity in the light of its strengths and weaknesses, determine priorities and initiate specific measures to improve its performance. The priorities would not, of course, remain constant and the bank would have to review them from time to time and effect appropriate changes.

Your Bank is conscious that enhancing productivity of the organisation is a subject to be tackled by the management and the staff as a collaborative effort, a precondition naturally being a sense of commitment of all. This, in turn, calls for an attitudinal orientation which can emerge only out of the realisation that the improvement of the organisation would directly result in the betterment of the employees and of the social and economic environment. At the same time, we are also aware that attitudinal reorientation could be brought about only by the management creating a better working climate which provides an opportunity for individual employees to give of their best. Your Bank has, therefore, initiated a series of measures which, apart from a review of the organisational structure mentioned earlier, includes systemic adjustments, delegation of powers, mechanisation and computerisation, job redesign, job enrichment, job rotation and evolving an objective reward system.

The measures we have taken so far are in my view a modest yet significant beginning. These measures are born out of our desire to use the modern management technique of Organisation Development (OD) which constitutes a planned effort, to help an organisation develop its diagnostic skills, coping capabilities, strategies in the form of temporary and semi-permanent measures and a culture of mutuality. OD covers every conceivable area of organisational systems and sub-systems, that could contribute to enhancing their effectiveness and is not merely confined to the personnel area. It takes the total organisation into consideration in dealing with a set of problems. To my mind it is essential to undertake a thorough study to diagnose the problems by identifying the kinks in the systems and sub-systems and to see whether the organisation's policies adopted in the various systems are symbiotic, the interventions called for depending upon the diagnosis. It will have to be appreciated that all the OD effort will take time to make a perceptible impact on productivity and perseverence is, therefore, called for.

This is, however, not to say that short term measures yielding immediate results are not possible. For this purpose, what is necessary is a measure of self-discipline which at present is by and large lacking. The staff should on their own maintain regular working hours, making an earnest effort to accelerate individual work output, refrain from adopting restrictive practices and endeavour to work as a team for the fulfilment of the tasks.

It is here that the role of the representative trade union organisations assumes importance. It is they who have to ensure that self-discipline is inculcated so that discipline does not have to be imposed from outside. They have a duty to educate their members in the virtues of punctuality, attendance, disciplined behaviour, courtesy to the customers and doing a fair day's work and I would appeal to them to take this up in right earnest.

Fiscal Relief

While increased productivity would no doubt lead to improved working results, what is also relevant is fiscal relief to banks. Here, I would like to reiterate the need for tax reliefs to banks on the basis of provisions being made for the identified component of doubtful debts, which is very essential in the context of social banking. During the last few years, industrial sickness has been on the rise compelling banks to make increasing provisions for doubtful debts resulting in a substantial drain on their funds and profitability. With the growing magnitude of the advances portfolio and the difficulties experienced in recovery through litigation which tends to get protracted, banks are required to pay taxes on the provisions for doubtful debts on a rigid interpretation of the relative tax laws. The relevant enactment was framed in the early sixties when banking was purely commercial in character. In the changed situation of social banking, a more appropriate interpretation of the concerned provision is clearly indicated. I would, therefore, appeal to the Government of India to consider extending tax relief to banks on the provisions made in respect of doubtful debts.

In terms of a provision made in the Income-tax Act in 1979, banks are eligible to claim tax deduction at one and a half per cent of the aggregate average advances made by their rural branches. This provision is intended basically to promote rural development but confining the concession to advances granted by, rural branches has created an anomaly in that many of our ADBs, although not situated in rural areas, dispense credit entirely in rural areas. The Government may, therefore, consider amending the regulation suitably to cover all advances granted in the rural areas irrespective of the location of the offices.

Yet another aspect I would touch upon relates to a provision in the current Finance Bill which would exempt certain categories of assessees, yet to be notified, from the purview of deduction of tax at source in respect of interest on Government securities. I hope that it is the intention of the Government to give the benefit of the concession to banks also in order to obviate a large volume of clerical work involved for banks as well as for Income-tax authorities without entailing any loss of revenue to the Government.

Overseas Expansion

I now turn to another important aspect of the Bank's operations viz. expansion of its overseas network. As a result of a well planned overseas expansion policy pursued during the last few years, the Bank had been able to establish its presence in most of the important international financial centres. As already stated, the Bank's overseas network increased from 17 offices in January 1977 to 39 offices by the end of 1981 and during this five year period, the Bank opened offices in such prestigious centres as Tokyo, Hong Kong, Singapore, Paris, Los Angeles and Panama besides upgrading Bahrain Representative Office into an Offshore Banking Unit.

International banking presents challenging but profitable opportunities which have to be exploited quickly. Further, such opportunities arise in different countries at different points of time and it is necessary that Indian banks should have an efficient information system to enter quickly new markets where profitable opportunities arise. In tune with relaxation of policy on foreign investments and the need to increase our exports, market borrowings abroad and inward remittances, the overseas expansion of Indian banks assumes greater significance. Your Bank has built sufficient expertise in this field. Commendable though the expansion of the Bank has been, the performance would have been still better if Indian clearances for opening overseas offices had been forthcoming readily. I am happy that the licensing authorities in India have been adopting a more pragmatic approach in this regard recently, which would enable us to take timely advantage of emerging opportunities.

CHAITRA SBI 914

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COMPANY AFFAIRS

alior Rayon Issue Bonds

GWALIOR Rayon is issu- 18.75 lakh fully secured vertible bonds of Rs 160 h to finance the expansion its caustic soda plant at gda, as also to meet the reased long-term working ital requirements. Bonds th Rs 12.5 crores are erved for preferential allot- nt amongst the equity share- ders, employees, directors the company's business ociates. Bonds worth Rs crores are reserved for n-resident Indians and per- s of Indian origin resident oad. The remaining Rs 10 res are being offered to the ian public. The list for fully-underwritten public ue will open on July 14, 2.

he convertible bonds carry maximum permissible rate interest of 13.5 per cent. h bond of Rs 160 held by registered holder carries obligation on the com- y to issue and allot, in of Rs 40, two equity shares Rs 10 each at a premium Rs 10 on April 1, 1983. the event of a bonus issue the company prior to the version, the entitlement of bond holder for equity res will be augmented pro- tionately and the premium able will also stand re- ed proportionately. The n-convertible portion of h bond (Rs 120) will be ayable at par in five equal nual instalments commenc- from the 8th year from date of allotment and ling before the expiry of 12th year. The bonds are ng listed on the eight ck exchanges to facilitate ir easy marketability.

The bonds offer the prospective investor a rare opportunity. On the basis of the assumed price of Rs 50 (the prevailing price), the return on investment on April 1, 1983, inclusive of interest, will work out to 44 per cent within just six months period. If the investors were to continue to hold on to the equity shares, the return could well be still higher as they would be participating in the company's dynamic growth which can be expected to have a significant bearing on the prospects of capital appreciation.

Creditable Record

The company's past record has been really creditable. Not many companies can claim to have contributed so much to the cause of self-reliance through indigenous research and development. The company has saved the country a very substantial amount of valuable foreign exchange to the tune of Rs 750 crores in the last 10 years through indigenous production of fibre and pulp. It has developed its technology, plant and equipment, second to none in the world—which has been deployed in producing viscose staple fibre and many other vital products in countries like Thailand, Korea, Philippines and Indonesia.

Few companies can claim to have served their shareholders so well. The average annual appreciation in the value of investment over a 25-year period works out to 140 per cent.

Prospects for the future are very promising. This is because the company is firmly set on the path of rapid growth. Its plans include expanding the capacity of its caustic soda plant to 250 tonnes per day, out of which more than half is required for company's captive consumption.

The company has undertaken modernisation and renovation works at all its units, mainly at company's fabrics divisions at Gwalior and Bhiwani (by installing the most sophisticated 'Dornier' weaving machines, 'Karl Mayer' automatic winding and other machinery) as well as at its fibre and pulp units at Nagda and Harihar. The company is also expanding its captive power generation at Nagda and Harihar to become self-reliant.

The latest major diversification to the company's existing lines would be the proposed cement project of a capacit of one million tonnes per annum based on the latest technology and costing about Rs 80 crores, to be set up at Jawad in Madhya Pradesh which has vast limestone deposits of a superior quality.

The various expansion, diversification and modernization schemes will substantially increase the company's turnover and profits which are bound to benefit the shareholders.

Mafatlal Fine Skips

For the first time since its inception 51 years ago. Mafatlal Fine Spinning Mills has been obliged to pass over the equity dividend. This follows the prolonged strike at the company's three textiles units in Bombay and the sluggish demand for textiles.

The proposal to skip the equity dividend for the year ended March 31, 1982, is a sequel to the net loss of nearly Rs 3 crores against a net profit of Rs 3.30 crore for 1980-81, when the company paid a dividend of 17 per cent.

Mafatlal Fine has diversified into chemicals field and has also a textiles unit at Navasari in Gujarat which is not affected by the strike. The company has three textile units in Bombay which are affected by the strike since the middle of January 1982. The Navsari unit accounts for about one-fifth of the textile business, while the chemicals unit at Surat accounts for about 16 per cent of the total turnover.

As such, the company's net sales have shown a rise of nine per cent at Rs 92.94 crores against Rs 85.44 crore in the previous year. The improvement in sales is attributed to the better product mix and also as increase in selling prices to partly offset the rise in costs.

More than the strike, what appears to have considerably affected adversely the company's performance is the sluggish demand for textiles. This is evident from the fact that the group's another unit, namely, Mafatlal Industries (previously known as New Shorrock Mills) having a number of textile units in Gujarat, has earned a substantially lower gross profit of Rs 5.09 crore against Rs 8.12 crore for 1980-81.

Goetze (India) Ltd

Goetze (India) Ltd's sales in the first five months of the current year touched Rs 4.54 crores as compared to Rs 3.54 crores in the corresponding period last year, representing an increase of 31.6 per cent. The company's profits also went up by 31 per cent.

Mr H.P. Nanda, Chairman and Managing Director of the company, said at the annual general meeting recently that the company had secured export orders worth Rs 74 lakhs as compared to Rs 81 lakhs achieved during the entire 1981.

The production and sales of cylinder liners had also gone up from 5,000 units per month in 1981 to 12,000 a month. Mr Nanda said the company would soon take up the light metal cylinder project with Japanese technology.

This short gestation project would involve a first phase investment of Rs 80 lakhs including sophisticated imported machinery provided with suppliers credit. This project is expected to produce 50,000 units per annum worth Rs 5 crores withn a period of two years.

The company plans investments of Rs 2.4 crore for the cylinder liners and light metal cylinders where the sales value will exceed Rs 5 crores per annum and for a stand-by genset to ensure production continuity. These investments would be entirely met out of the company's internal resources.

Mirch-Mirex Out of Red

Mirch-Mirex has come out of the red during the year 1981. With increase in turnover from Rs 45.60 lakhs to Rs 81.06 lakhs, the company has made a gross profit of Rs 1.72 lakhs against a loss of Rs 5.95 lakhs last year.

The company booked new orders of sale value of about Rs 1.03 crore (Rs 77.59 lakh) and carried forward an order book of about Rs 1.01 crore in the current year (Rs 79.40 lakh).

The company has executed collaboration agreement with Reheat of Sweden for heat transfer plates and Christian Engineering of USA for therm-l-veyor solid heat exchanges.

The company has made good progress after the change of management on February 11, 1981.

CIMMCO Steps Up Dividend

The Directors of Central India Machinery Manufacturing Co. (CIMMCO) have raised the equity dividend from 12 to 15 per cent for the year ended March 31, 1982. The company has reported a higher gross profit of Rs 185.18 lakh as against Rs 42.72 lakh in 1980-81. After writing back unspent sundry credits and sales tax refund of Rs 2.35 lakh the profit amounts to Rs 187.53 lakh. After providing Rs 30.51 lakh for depreciation, Rs 27.22 lakh for investment allowance and Rs 54 lakh for taxation, the net profit comes to Rs 75.80 lakh. Adding Rs 0.55 lakh transferred from development rebate reserve and Rs 0.48 lakh being the amount, brought forward, the surplus is Rs 76.83 lakh. A sum of Rs 54 lakh has been transferred to general reserve and the proposed dividend will absorb Rs 22.38 lakh. The carry over is Rs 44,610.

The Directors state that the order book for the current year is satisfactory. However, they have expressed concern over the declining trend in the inflow of orders due to the overall recessionary trend in the textile industry. New lines of production such as cement plant are also being taken in hand.

Hind Development's New Project

Hindusthan Developmen Corporation's Chemical Division at Olpad in Surat distric has made substantial progress towards installation o the cynamid complex. Th plant is expected to be i commercial production a

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NORTHERN RAILWAY

heduled, in the third quar- of 1982.

Moreover the company is tting a new unit named sulators and Electricals Co r the manufacture of high nsion insulators in Madhya adesh. The company has eady received a letter of ent to manufacture 6,000 nnes per annum of high nsion insulators. A tech- cal collaboration agree- nt has been entered into th Rheinisch-Westfalische latorenwerke GMBH of st Germany. A suitable ancing scheme is being rked out.

nelec to Enter pital Market

enelec Limited will enter capital market on June 1982 with a public ue of 499,039 equity ares of Rs 10 each for h at a premium of Rs 14 share. Simultaneously, e General Electric Com- ny of India Limited (GEC lia) will offer for sale, out its shareholding in GENE- C, 223,461 equity shares Rs 10 each for cash at a mium of Rs 14 per share. main object is to reduce equity holding of GEC lia in the company from) per cent to a level not eeding 40 per cent as re- red by the Government of lia when granting to Gene- a letter of intent for the nufacture of high pres- e sodium vapour lamps. shareholding is being uced to 33 per cent as one the steps required to en- Genelec to be deregis- d under the MRTP . The sale proceeds of public issue will be used augment the long term ources of the company for capital expenditure and king capital requirements.

enelec conducts its busi- s through four main ope- ng divisions—the Pro- s Division handles most s of electrical installa- ns in India and abroad— Lighting Division manu- ures a sophisticated range domestic and industrial ting fittings and specialised low voltage transformers—the Lamps Division has a strong network of dealers for marketing various types of lamps and tubes—the Exide Division operates in South India where it sells the popular Exide Batteries.

The company has four regional and thirteen branch offices, which are located in the main cities in India, through which the divisions market their products and services.

The results of Genelec for the year ended March 31, 1982 are sales Rs 39.45 crores, profit before tax Rs 212.25 lakhs and profit after tax Rs 51.66 lakhs. The progress of the company is clearly illustrated by the fact that the results for 1981-82 compared with 1979-80 show an increase in sales of 41.4 per cent ,an increase in profit before tax of 54.2 per cent and an increase in profit after tax of 62.3 per cent. After the public issues, the 1981-82 profit before tax of Rs 21.25 lakhs would represent earnings of Rs 19.68 per share on the enhanced capital.

In the past, the company's tax rate has been very high as its profits attracted not only income tax but also surtax. The issue of new capital will reduce the surtax liability. The tax rate will be further improved once the company begins to reap the benefit of the valuable tax concessions available to the new high pressure sodium vapour lamp project which is now being set up in Aurangabad, a backward area.

Indian Overseas Bank

Giving out the highlights for his banks performance during 1981, Mr K. Vishnu Murthy Yerkadithaya, Chairman, Indian Overseas Bank, said recently that the global deposits and other accounts had increased from Rs 1506.4 crores to Rs 1950 crores, an increase of 29 per cent over the previous year whereas the average for the Indian banking sector was only 17 per cent.

As for deposits inside the country it had risen from Rs 1,174.2 crores to Rs 1,422.8 crores or by Rs 248.6 crores compared to Rs 208.5 crores during 1980.

Mr Murthy also claimed that his bank's market share of deposits at 3.09 per cent was more than double of what obtained on the eve of nationalisation which was only 1.45 per cent.

While global advances expanded from Rs 975.2 crores to Rs 1,338.1 crores, advances in India rose from Rs 702.0 crores to Rs 851.7 crores.

Nearly Rs 70 crores or 48.1 per cent of the net credit expansion during the year was absorbed by the priority sector. This took the outstanding advances to the priority sector beyond the Rs 300-crore mark thus increasing the ratio of priority credit to total net credit from 35 per cent to 37 per cent.

Asked why the profit after tax of the Indian Overseas Bank had risen only by a mere Rs 300,000 from Rs 446 lakhs in 1980 to Rs 449 lakhs in 1981, Mr Murthy said they had to provide as much as Rs 3,950,000 to take care of the depreciation of value of Government securities. This would be clear by the fact operating profits grew at 38.3 per cent.

Direct lendings to agriculture amounted to Rs 11.3 crores. Small and marginal farmers accounted for 56 per cent of these direct lendings against the norm of 50 per cent. In the banks seven lead districts investment target was exceeded by 72 per cent. Seventyeight new branches were opened during the year and of these seventyone were located in the rural and semi urban areas. Including the eleven branches abroad the bank had 897 branches at the end of 1981.

Raymond Woollen Mills

Raymond Woollen Mills, the largest exporter of woollen suitings and garments has made the largest ever single shipment made by the woollen industry, by exporting goods worth Rs 58 lakh to the Soviet Union.

Raymond pioneered the export of woollen textiles to the Soviet Union in 1981 with shipments totalling Rs 1 crore. This performance having proved satisfactory, the Russian buyers have substantially raised their purchases from the country.

The Soviet Union has become an important market for Indian wool textiles and has already placed orders for about Rs 5 crores with various woollen mills. It is expected further orders will be placed during the year.

Raymond expects to complete the present orders valued at over Rs 2 crore well in time to ensure that the high class suitings are available to the Russian customers before their Republic Day on December 22.

Hindustan Electro-Graphites

The profitability of Hindustan Electro-Graphites Ltd before depreciation for the year ended April 30, 1982 has gone down to Rs 3.44 crores (against Rs 5.78 crores) due to unfavourable market conditions. After providing for depreciation of Rs 1.62 crores (against Rs 1.49 crores), the net profit works out to Rs 1.82 crores (against Rs 4.29 crores). The production of graphite electrodes during the year 1981-82 was 8986 MT (against 9875 MT) and the turnover including excise duty was Rs 26.83 crores (against Rs 30.49 crores).

The Board of Directors while approving the annual accounts have recommended a dividend of 12.5 per cent on equity shares and 11 per cent on preference shares subject to approval of its shareholders at the annual general meeting. The payment of 12.5 per cent equity dividend is on enhanced equity base of the company after its recent bonus issue of two shares for every five shares, which works out to 17.5 per cent on pre-bonus equity capital. The distribution of dividend will absorb Rs 82 lakhs and after appropriating Rs 25 lakhs towards investment alowance reserves Rs 10 lakhs towards General reserve and balance of profit of Rs 65 lakhs has been carried forward to next year.

Exports amounted to Rs 48 lakhs FOB (against Rs 34 lakhs FOB) and the Directors are hopeful of a substantial increase in exports during the current year. The company's diversification in anodes has been completed and the company hopes to market graphite anodes during the current year. Its research and development centre has also been fully commissioned and established. The company has received a letter of intent for 50,000 tonnes per annum paper project and the lease for the forest is likely to be entered by the end of July 1982.

Sri Ambica Mills

Sri Ambica Mills is doing well in the current year with sales during the first five months being higher at Rs 31.67 crore as compared to Rs 27.69 crore during the same period last year.

Disclosing this at the annual general meeting of the ompany in Ahmedabad, Chairman, Mr Jaykrishna Harivallabhdas, stated that barring unforeseen circumstances sales for the whole of current year would be higher.

He has stated that the last year's demand recession in the textile industry continued in the current year till March this year. There has been slight improvement in the situation for the months of April and May and it is expected that the same pace of improvement would be further accelerated in the months of June and July.

Corporation Bank

Corporation Bank has increased its deposits from Rs 307.95 crores in 1980 to Rs 356.98 crores as on December 31, 1981 a growth rate of 15.9 per cent. The total advances of the bank rose to Rs 191 crore from Rs 161.08 crores in the previous year, a rise of 18.6 per cent. Of the incremental credit of Rs 29.92 crore, advances to the proirity sectors totalled Rs 20.07 crore or 67.1 per cent of the total accrual in the portfolio of advances. The total priority sector advances outstanding as on December 31, 1982 were Rs 71.55 crore or 37.5 per cent of the total advances against the target of 34 per cent set by the bank for 1981.

The bank's advances to the export sector have grown from Rs 28.10 crore in 1979 to Rs 31.84 crore in 1980 and were at Rs 37.09 crore in 1981.

The net profits of the bank increased from Rs 77.30 lakh in 1980 to Rs 99.44 lakh.

In 1981, the bank opened 17 branches. At the end of 1981, the bank had 340 branches, of which 209 were in rural and semi-urban centres. In over 100 centres, the bank is the only one operating in the area.

National Rayon

An extraordinary general meeting of the shareholders of National Rayon Corporation is being convened on July 7, 1982, for adopting the resolutions pertaining to the proposed issue of convertible debentures worth Rs 7.56 crore on rights basis.

The company proposes to issue 150,000 13.5 per cent secured convertible debentures of Rs 500 each at par, to be offered to equity shareholders on the rights basis in the ratio of one-for-four. The debenture-holder will receive one ordinary share of Rs 100 each at a premium of Rs 50 each on a date not earlier than January 1, 1984 and not later than June 30, 1984. The balance of Rs 350 per debenture would be repaid in five equal instalments of Rs 70 each on the expiry of 8th to 12 year from the date of allotment.

The proposed issue is made to meet a part of the total costs of Rs 22 crore required for three purposes viz. nylon tyrecord and industrial yarn plant (Rs 12 crore), polyolefin filament yarn (Rs 4 crore) and modernisation (Rs 6 crore).

Digvijay Cement

Shree Digvijay Cement has embarked upon a modernisation programme to convert one of the kilns to dry process with induction of pre-calcination technology.

With a view to implementing the same scheme, the company has submitted an application for necessary finance under soft loan scheme to the financial institutions and has applied for new mining lease for limestone which is essential pre-requirement for successful implementation of the scheme.

The company has also received a letter of intent for substantial expansion in asbestos division of 36,000 tonnes AC sheet capacity. It has also obtained an industrial licence for increasing AC pipe capacity by 30,000 tonnes per annum.

Capital and Bonus Issues

The following companies have been allowed to raise capital. The details are as follows :

Bonus Issues

Banaras House Ltd has been allowed to raise Rs 22.50 lakh in fully paid equity shares of Rs 100 each in the ratio of 1:1.

Hindustan Dorr-Oliver Limited has been permitted to raise Rs 52.80 lakh in fully paid equity shares of Rs 10 each in the ratio of 4:5.

Johan Fleming and Company Limited has been allowed to raise Rs 4 lakh in fully paid equity shares of Rs 100 each in the ratio of 2:3.

Prav Electrospark Pvt Ltd has been allowed to raise Rs 7 lakh in fully paid equity shares of Rs 10 each in the ratio of 1:1.

Peico Electronics and Electricals Ltd has been allowed to raise Rs 3.60 crore in fully paid equity shares of Rs 10 each in the ratio of 1:5

Further Issues

Nahar Spinning Mills (P) Ltd has been allowed t issue privately placed pr ference shares and convertibl debentures worth Rs 25 lak for cash at par.

Vam Organic Chemical Limited has been permitted t issue equity shares worth R 69.30 lakh, for cash at par as rights on pro-rata basis.

Jindal (India) Limited ha been allowed to issue 90,00 equity shares of Rs 100 eac to promoters etc. to mee the working capital needs.

Priyadarshini Spinning Mill Ltd has been allowed to issu equity shares worth Rs 3 crore, inclusive of the capita already raised, for cash a par.

The Standard Mills Company Limited has been permitted to issue 200,000r secure convertible bonds o Rs 50 each to the existing equit shareholders of the company other than Sandeep Holding Ltd as rights on pro-rat basis, for cash at par.

Ranbaxy Laboratorie Limited has been allowe to issue secured convertibl debentures of the total fac value of Rs 450 lakh fo cash at par.

· Gogte Textiles Ltd ha been permitted issue of equit shares of Rs 267 lakh for cas at par, out of which share worth Rs 109 lakh will b offered to the public by a prospectus.

Indian Potash Limited ha been permitted issue of equit shares worth Rs 2 crore fo cash at par in order to strengthen the equity base as wel as to improve the debentur equity ratio.

Bharat Hotels Ltd has bee allowed to issue equity share of Rs 8 crore, out of whic shares worth Rs 3 cror will be offered to the public for cash at par.

Asian Paints (India) Lt has been permitted to issu 16,85,185 equity shares o Rs 10 each for cash at premium of Rs 13 per shar to the public through a prospectus.

Paper Machine Wire Industries Ltd has been allowe to issue equity shares wort Rs 260 lakh for cash at par.

eastern
ECONOMIST

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This Week

June 23

Justice H.R. Khanna presented two sets of nomination papers to Returning Officer Sudarshan Agarwal.

The Argentine army has announced that retired Army General Reynaldo Bignone will be the next President and that the army will "assume the responsibility" for running the nation.

June 24

Four major tin-producing countries agreed to put the sixth international tin agreement into force among themselves on a provisional basis for five years, starting July 1.

June 25

A Bangladesh Ministerial level delegation arrives in New Delhi to review the existing agreement on sharing of Ganga waters at Farakka and augmenting its flow.

Lebanon's Muslim Prime Minister Shafik Wazzan resigned charging Israel's relentless air and sea bombardment of West Beirut was an "escalated blackmail that renders me unable to execute the duties of my office."

With a sharp rise of 2.5 points in a single week after July 11, 1981, the official wholesale price index for all commodities rose to the year's high of 284.6 (provisional) during the week ended June 12.

June 26

Employers defaulting on provident fund payments might have to pay damages at the rate of 25 per cent per annum of the amount due.

Registered factories in the country increased by 3.7 per cent from 84,918 in 1977-78 to 88,077 in 1978-79 according to the summary results of the "Annual Survey of Industries—1978-79".

George Shultz is US President Ronald Reagan's choice as the new Secretary of State. He has had a long career of public service, as well as experience in both the academic and business worlds.

The Union Government has liberalised the norms for submission of cost data by exporters to the Commerce Ministry for fixing new rates of cash compensatory support.

June 27

The Bharatiya Janata Party charged the ruling party with "abusing" official machinery in the Presidential election campaign.

Israeli forces cleared the last Syrian soldiers from Beirut's mountainous hinterland without firing a shot, firming up an airtight siege of the Palestine Liberation Organisation leadership in Beirut.

June 28

The capital investment bonds open for subscription and will be on tap until further notice, the Reserve Bank of India announced.

The pound sterling became cheaper by five paise following upvaluation of the rupee by 0.3 per cent by the Reserve Bank. RBI has fixed the middle rate at Rs 16.50 against the previous Rs 16.55.

The Industrial Licensing Committee approved the controversial Maruti-Suzuki tie-up.

The Uttar Pradesh Chief Minister, Mr Vishwanath Pratap Singh, resigned, "immensely pained" by the murder of 16 people, Yadavs and Harijans, in two districts of central Uttar Pradesh, by dacoits.

June 29

Israeli armed forces granted PLO a grace period and safe conduct, Mr Sharon told the Israeli Parliament.

Six Harijans, including two women and a child were shot dead in Aurangabad district of Bihar.

eastern
ECONOMIST

Eighth Finance Commission

THE EIGHTH Finance Commission has been set up under the Chairmanship of Mr Y.B. Chavan to review the devolution of finances from the Centre to the States every five years. Its recommendations will be of more than usual interest in view of the changing political scene in the country. The recent controversy between the Centre and the West Bengal Government over the mobilisation of additional resources by the former is an eloquent testimony to this. The former West Bengal Minister for Finance, Dr Ashok Mitra, had been vehement in assailing the greater reliance by the Union Ministers for Finance during the past two years on raising additional tax revenue from sources not shareable with the States (customs duties, for instance) and the grant of relief under heads (income-tax, for example) which are divisible with the States. He also assailed the mobilisation of resources through raising the administered prices of Central Government public sector undertakings. This, he argued, amounted to a double squeeze on the States' finances: erosion of revenue shareable with the States or inadequate growth in this revenue and enhancement of the burden on the States of their purchases of the products of Central undertakings, mostly to meet the development needs of infrastructure. Yet another grievance of some States ruled by parties other than the ruling party at the Centre has been that the taxation heads available to them, excepting sales tax and a couple of others, are not elastic enough in their yields as those available to the Centre.

The task of the new Finance Commission, thus, is far more onerous than that of any of its predecessors. The grievances of the States ruled by the opposition parties persist although the Seventh Finance Commission raised the States' share in income-tax from 80 to 85 per cent and in the Central excise revenue from 20 to 40 per cent, besides granting relief in the debt owed by them to the Centre to as much as Rs 2,156 crores for the five years ending 1983-84 and recommending si ficantly larger grants-in-aid to seventeen States. This was d in the light of the Janata Government's philosophy of stre thening States' finances and enlarging their share in devel mental programmes. If many States still continue to financial constrants and have run up sizeable overdrafts, tl clamour for a larger devolution of funds from the Centre have to be countered effectively.

The State Governments, obviously, cannot totally sl their own responsibility for the financial strains they are ex riencing. Cost escalations of their development programi as well as administration due to serious inflation till lat though beyond their control to some extent, have not b contained by them through increased efficiency or adequ additional resource mobilisation. The Sixth Plan has cau ned that there is not much scope left for raising taxation a therefore the investments by Government must yield adequ returns. While the efforts of the Centre in this direction h yielded some results, the States have been found seriou wanting. They have made just half-hearted attempts to i prove the working of the State electricity boards, road tra port undertakings and their other enterprises with the res that most of these organisations have been registering incre ing losses. The share of tax on agricultural incomes in t States' revenues too has tended to decline. As Econor Adviser to the Union Ministry for Finance, Dr Ashok Mi wanted agriculture to yield more to the State revenues, l as Finance Minister in West Bengal he did little to follow own prescription, except in the case of plantations.

The terms of reference of the new Finance Commission a wide enough to enable it to have a look at the entire spectr of Centre-States financial relationship. In fact, the inclusi

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C.F.T.R.I., MYSORE

f taxes mentioned in Article 289 of the Constitution—taxes o be levied by the Centre entirely for the benefit of the States –in the terms of reference should help in augmenting States' evenues without their incurring the odium for imposing them. he new Finance Commission, however, will have to do a good eal of balancing between the aspirations of the States and e obligations of the Centre, especially in regard to the ounting burden of defence and security. In Mr Y.B. Chavan, e Commission has a Chairman who is conversant with not nly the finances of the Centre and the States but also of de-nce requirements,

In view of the deterioration in the finances of several States Governments, their demand for larger sources is not unjustified. But they themselves have to do a lot in this regard. There is a limit to which Centre can compensate them for their lack-lustre performance. To strengthen its own resources the Centre had to go in for larger resource mobilisation effort under customs, raising the import duties to unduly high levels vis-a-vis the requirements of development. What is needed is greater rationalisation of the tax structure of the Centre as well as the States, effective economy measures, adequate return on public sector's investments and general financial discipline.

What if the Monsoon Fails ?

LICIES AND Ministerial statements are invariably made on assumption that the next monsoon will be "normal"—at is, reasonable. In fact it is normal for the monsoon to l every few years. And it is time we started doing our ns afresh just in case the rain gods let us down this year.

The monsoon has got off to a bad start. There is no need panic about this. Often in the past, a halting start has ntually given way to bumper rainfall. But, occasionally, ad start can mean a bad monsoon. We must prepare for eventualities. What will be the consequences of a drought s year?

The first and foremost effect, naturally, will be on prices. s worth noting that prices have shot up 3.8 per cent in seven weeks between April 26 and June 7, partly on ount of poor rainfall feeding speculation. We have consi-able food stocks in hand but this will not solve the blem. In 1979 too we had food stocks approaching 20 lion tonnes and a food-for-work programme which gave ployment and purchasing power to more than seven million ple. But that did not prevent a runaway inflation.

Why not? Because the effect of a poor monsoon is not ted to cereals. The price of other items like pulses and dry cash crops will rise, with a multiplier effect on agro-d industries like textiles, jute and sugar. Large Govern-t expenditures are necessary to alleviate distress, but e lead to more deficit financing and hence more inflation. e rains fail then hydel generation suffers, and industry be crippled by the resulting power shortage, as happened 979-80. Inflation and shortages naturally spark off labour ble, which further disrupts production and feeds dis-ent.

hus the effect of the monsoon permeates far beyond culture. The proportion of agriculture in the GNP has from 50 per cent to barely 37 per cent, yet the economy s as sensitive as ever to rain. The spread of irrigation not seem to have drought-proofed our economy in the t of a major drought (as demonstrated in 1979-80) ugh it can give some protection when drought is less ounced (as in 1974-75).

What should the Government do to prevent a recurrence of the disasters of 1979-80 in case the monsoon fails this year? For a start, it must observe financial and monetary discipline despite the political temptation to give way to every economic demand from State Governments and labour. It was this kind of weak-kneed policy that led to record deficit financing of Rs 2,700 crores in 1979-80. In theory a drought, which shrinks production, ought to be matched by a shrinkage of money supply if inflation is to be avoided. In a modern system of Government that is almost unthinkable. It is impossible to ignore the need to alleviate the effect of a drought on the poor. But this is not the same thing as being carried away by every demand from the States for emergency relief, much of which is siphoned off by unscrupulous politicians and bureaucrats. We need to have a contingency plan in hand which will release limited amounts of money for food-for-work schemes which have been pre-planned as a stand-by in case the monsoon fails. There is not the slightest harm in putting off expenditure on new capital projects in order to finance relief expenditure. It is always a pity when a development project is axed, but this does much less harm than the inflation which follows a loose fiscal policy. The terms of the IMF loan mean that there is now an additional pressure on the side of discipline, which can keep the short-term opportunists at bay. IMF pressure will also work in favour of a liberal import policy, which is essential to curb inflationary trends. Imports can alleviate the problems caused by a shortfall in the production of edible oils, fibres and other raw materials.

Some might object that liberal imports failed to curb inflation in 1979-80. That is quite true. But that is because the drought was aggravated by all the side-effects already mentioned, and by explosive global inflation. Oil prices in particular shot up, and the price of a great many other items needed by India rose. The one saving grace of the global stagnation today is that international prices are fairly stable, and commodity prices in real terms are depressed. If indeed we must have droughts at some time, there is no time like the present.

Dry Thoughts

I am afraid Mrs Indira Gandhi is taking a dreadful risk in choosing Mr Zail Singh as her candidate for President. She has done so in the belief that he will be Her Majesty's Loyal Rubber Stamp. But has she taken into account the genial Sardarji's tendency to get things so mixed up that he does not know his foot from his mouth ? At a tea party thrown in his honour by Mr K. Karunanidhi in Madras, the Presidential candidate repeatedly referred to his hosts as the "Anna DMK" and thanked them for their support. It was with some difficulty that the embarrassed hosts explained that they belonged to another party. Let Mrs Gandhi be warned. She expects that after the next election, Mr Zail Singh will call her to form the next Government. But on current form, our Sardarji is quite capable of calling Sant Bhindranwale by mistake in the honest belief that he is the leader of the Congress. Just the other day the Giani criticised the Opposition for making Justice Khanna a "scapegoat" in the Presidential election (he evidently meant "sacrificial goat", but it would be a brave man who dared interpret Sardarji's brain-twisters). There was an occasion in Parliament when he declared that the Government would promote family planning by persuasion and notification. He found all sorts of sterling qualities in Adolf Hitler in Parliament but was forced to take it back the next day. He proposed to give guns to all Harijans to defend themselves, and was contradicted by his own junior Minister the next day who said the Giani had been expressing only his personal views. Mr Zail Singh's loyalty is not in doubt, whether to Mrs Gandhi, Hitler or the Anna DMK. One only hopes he knows the difference.

* * *

Justice Khanna has asked legislators to vote according to their conscience in the Presidential election. Mrs Gandhi has castigated this idea as an insult to democracy, conveniently forgetting that she insulted democracy in precisely this fashion in 1969 when she helped choose Mr Sanjiva Reddy as the Congress candidate but later ditched him for Mr V.V. Giri on the ground that her conscience dictated this. She further defended this by saying that in the USA there was no party whip issued in the election of the President—a mis-analogy that would do credit to Mr Zail Singh. But I must confess I cannot understand today's hulabaloo. Surely both Justice Khanna and Mrs Gandhi know that 80 per cent of our legislators have no conscience, and cannot therefore be swayed by it ? Perhaps I am being too cynical. What I should have said is that if 80 per cent of our legislators asked themselves whom they should vote for, their conscience would reply "the highest bidder."

* * *

I must halt here to give V.B. space for a delicious little piece from Washington. He writes :

"There was a call girl the other day on a talk show on TV. I must confess that it made me think—and not all my thoughts were pornographic. Some of them, indeed, were philosophical. Actually, she was not a girl. With sixteen years in the calling—this is as appropriate a word as any—behind her, she is presently a woman of mature years in the fifth year of her retirement. This helped, for there was a no-nonsense air about her. When the talk show host asked her whether she had been comfortable as a call girl, she gently corrected him by saying that there was no such thing as a 'call girl'; only a girl in the 'call business', which, she patiently pointed out, was like any other business.

"A psychiatrist, who was also contrib ing his wisdom to this programme, wh asked by the host whether he thought s was being honest, said that she seem to think that she was being honest. H went on to argue that it would not do claim that the call business was like a other business since it had to cope wi social disapproval. The woman was n quitter. She said that this was really n a problem at all. The men who did bus ness with her certainly did not disa prove of her. On the contrary, the were full of praise for what she wa doing. That was why they paid hard cas for it, although, occasionally, she ha honoured credit cards. As for the woma those whom she consorted with were als living in glass houses and it was com monly understood, surely, that those th accommodated did not throw stones a one another.

"Asked what she was happiest about a a working woman, she said that it wa the money. She had been making, on a average, 35,000 dollars a year. Most o the men she did business with were busi nessmen, who might bring their marita worries to her, perhaps, but not thei financial worries. To a question wheth she had been paying income-tax on he earnings, she said that that was a questio which her businessmen callers had advise her to refuse to answer on the Firs Amendment ground that it would be in criminating herself. Finally, did she re gret anything ? Oh ! Yes, she did, sh said. She had not thought of savin enough for the years after the sixteenth A fast life, it must have been on mor counts than one."

—Swaminathan S. Aiya

Forests for Five F's—II

K. Chandramouli

HE PROBLEM of deforestation is world- ide and it is interesting to note what her countries have done or continue do in order to overcome the prob- ms of deforestation.

In the Philippines a polybagged seed- ng of Subabul was distributed to each hool teacher in 1976. The teacher plant- the seedling and raised it with the sistance of her students. After a year, nen seeds were produced, seedlings re grown again for a second year on school premises. These seedlings were stributed to the students who raised em on the school premises or in their uses. In three years, the extension rk was so successful that every use now has substantial trees in its mpound.

The Philippines plans to support rural ctrification with several wood-fuelled wer plants. In 1978, it planted an energy est which will be used to fuel a 75 W steam power plant. A study has ntified 25 potential energy plantation es with a total area of approximately ,000 hectares. If fully planted, these uld support 19 wood-fired power nts with an overall generating capa- y of 1425 MW.

South Korean Programme

South Korea has solved its rural fuel blems by a grass roots programme. part of the “Saumaul” or new com- nity programme, a forestry scheme s launched in 1973 to mobilise villa- s to plant trees in public and private ds, to produce mushrooms and valu- le leaves and to establish firewood s to meet local needs. Owners of suit- e lands were given the option by the A (Village Forestry Association) offi- ls either to reforest the area themselves turn them over to the VFA in return a tenth of the proceeds. The harves- wood from the wood lots is distri- ced among the households and any rketable surplus is put into a cooperative fund for further community development projects.

In China and Indonesia, too, house gardens supply a good deal of family's fuel and in China about 4.5 per cent of the population is believed to be engaged in social forestry.

For decades floods, droughts and famine were recurring calamities of Fukien Province in China, but in the five years since forests were reestablished in the hills and water-sheds, the inhabitants have lived free from all the three curses.

Chinese Experience

China has placed 55 million hectares (nearly 75 per cent of India's existing forest area) under new forests during the last 30 years while in South Korea there is now hardly an acre of denuded land to be seen anywhere. These are the only two countries in the developing world that have been eminently successful in tackling their problems of deforestation, denudation and soil erosion on a wide scale.

For 25 years, steadily expanding fuelwood plantations of Calliandra (a small Central American tree that was imported as a shade and ornamental tree) have been established in Java, until they now cover more than 30,000 hectares there. The wood, too small for lumber, is dense, burns well and is ideally sized for domestic cooking. It is also useful for fuelling brick, tile and lime kilns and for copra and tobacco driers. Today Indonesian villagers make good living selling the firewood, earning more from it than from their food crops.

It is a well established Korean practice to plant Leapedeza species along ridges as a firewood crop.

Eight per cent of Sweden's energy and 15 per cent of Finland's energy is generated from wood. In the USA in 1974, more energy was generated from wood than from nuclear power. An electric generator designed to consume about 25,000 dry tonnes of wood fuel each month has recently been installed at the Jari Project in the Brazilian Amazon to power a pulp mill, a saw mill and a township of over 10,000 people.

Following suggestions would greatly help in overcoming the catastrophical effects of deforestation : (For details of the various categories of land mentioned below, please see chart in the first part of this article, EE, dated 27-6-1982), page 1411.)

1. Increase the tree coverage in the so called forests declared in our statistical figures.

Presently, out of a declared forest area of 83 million hectares only 35 million hectares are supposed to be having tree coverage. Balance area of 48 million hectares, presently devoid of vegetation, should be planted with trees at a rate of 2,500 trees per hectare.

This requires active involvement of forest departments in the country.

Degraded Lands

Convert the degraded land not useful for agricultural purposes into forest land.

Out of a total area of 87 million hectares demarcated as degraded agricultural lands, nearly 43 million hectares are not at all good for agricultural use. At least 60 per cent of this area (25 million hectares) can be converted into forest area at the rate of 2000 trees per hectare.

This again requires the active participation of the forest and revenue departments of various States. About 12 million hectares of this area can be given to private institutions on lease for energy plantations.

3. Utilise the culturable wastes and fallow lands estimated at 17 million hectares and 23 million hectares respectively.

Estimates have revealed that India has approximately four million hectares of gullied lands, seven million hectares of saline/alkaline lands and six million hectares of waterlogged lands. Special types of treescould be planted in these areas. On a very conservative estimate at least 30 per cent of the culturable waste and fallow lands amounting to about 12 million hectares can be planted with trees at a rate of 1000 trees per hectare.

Private entrepreneurs, industrialists, companies, institutions and voluntary, service organisations like NSS, Rotary, Lions, Giants, Jaycees and others can be given such lands on lease for development in a planned way within a targetted time. Even if each of 5000 and odd service clubs takes an initiative to plant only 10 hectares per year a total of 50,000 hectares can be planted every year with trees.

4. Plant trees on roadsides, railway lines, canal banks and boundaries of farms.

It is estimated by the National Commission on Agriculture that the land available on the boundaries of farms is about 2.7 million hectares and the land along roadsides, canal banks and railway lines is about 0.9 million hectares. However all the land cannot be utilised effectively and assuming only 15 per cent of the land can be utilised, nearly 0.54 million hectares will be available for tree plantation.

5. Encourage planting of firewood trees in woodlots around villages, school yards, public buildings, church yards, cemetries and market squares etc. Individual institutions, public or private, should be encouraged to take up such jobs. Similarly every household should be encouraged to grow at least 2 trees
per house with the slogan "A Tr
Every Child". This can be done
less effort by active interest of th
cials, individuals and even by shra
camps by students and villagers.

6. Test the growth in all the pr
tion areas and control the harv
intensity to improve the forest pr
tivity.

The Dehra Dun forests which
been scientifically managed get a
of less than 0.2 cub. mtr. per hec
The potential yield is at least 20 t
this figure. Even with a very conserva
increase of 4 times the present y
the production by 1985 with only
million hectares of area can be incre
from the present 10 million cub. n
to about 40 million cub. mtrs. This
quires not only scientific managen

TABLE IV

Energy Plantations

Energy for lighting and domestic work at 2 KWH/family for 3000 families in 10—15 villages.	:	6000 KWH/day
Energy for water pumps for agriculture and for small scale industries.	:	14000 ”
Total energy requirement in a group of 10—15 villages.	:	20000 ”
Calorific value of 1 tonne of bone dry wood (10—15% moisture) at 3700 Kcal./kg.	:	37 x 10^5 Kcal.
At 30% efficiency of conversion of woodfuel thermal generators, available Cal. value of 1 tonne of wood.	:	11.1X10^5 Kcal. equal to 1290 KWH
At 85% efficiency of the power plant, 1 tonne of wood will produce.	:	1100 KWH
Therefore, wood requirement for 20000 KWH = 18 tonne/day	:	6570 t/year
Dry wood production/yield per hectare	:	250 tonnes in four years.
Area required for giving an yield of 6570 tonnes $= \frac{6750}{250}$	:	27 hectares
Minimum area required to get a continuous yield of 6570 t/year	:	145 ”
Area occupied by roads and storage facility	:	7.5 ”
Area utilised for energy plantation	:	137.5 ” (in 5 blocks of 27.5 hectares)
Species for plantation	:	Casuarina, Sesbania, Eucalyptus, Populur or other fast growing trees depending upon the region.
Planting density	:	15,000 plants per hectare
Mortality rate	:	33%
Net yield	:	10,000 plants per hectare
Planting period	:	June to September
Method of planting	:	Every year from 1st to 5th year one block of 27.5 hectares will be planted.
Harvesting	:	Will commence from the 5th year.
Energy generation	:	Will commence from the 6th year.

Sources : 1. 'Blueprint for Energy Plantations'—K. Gurumurty and P.P. Raturi
2. 'Planting for Energy'—R.N. Kaul and K. Gurumurty.

t also lot of work by the forest de-
rtments.

7. Impose the present laws strictly to
oid illegal and indiscriminate felling
trees by businessmen/industrialists/
ral population. Industries using wood
their raw material should be made to
mpulsorily plant 20-50 times the num-
r of trees cut by them every year. If
cessary they could be leased enough
available land for this purpose.

3. Search out and reduce the wasteful
of available fuel by ensuring that the
sting wood resources are harvested
d used without waste.

This requires testing and developing
l efficient stoves, particularly ones
t villagers can make themselves. Also
will have to seriously think of alternate energy sources such as biogas and solar heat.

9. Encourage energy plantation in the industrial and rural sectors.

In the rural sector, it has been estimated that using 18 tonnes of air dry wood it is possible to generate 20.000 KWH of electricity daily, for a group of 15 villages. The land required for generating that much electricity would be 145 hectares. In our country, there are 5,67,000 villages. Assuming one unit of fuelwood power generating capacity to be established for every 15 villages, a total of 37,800 power generating units on decentralised basis would be required. Total area required for the whole country would therefore be 37,800 × 145 or 5.5 million hectares of land.

For details of energy plantations please see Table IV. Summary of the suggested Action Plan is given in Table V.

It may be noted that the suggested action plan envisages a potential for afforestation of 91 million hectares of land and plantation of 36,500 crore trees at an average rate of 4000 trees per hectare as against the modern approach of planting about 10,000 trees per hectare. This plan may appear to be too difficult to achieve when we see that during the Fifth Five-Year Plan only 0.52 million hectares were planted with trees and during the Sixth Plan it is planned to afforest only 1.52 million hectares. Our present plan targets for afforestation of 1.52 million hectares are not taking us anywhere when we realise that our forest cover is being depleted at a galloping rate

TABLE V

Summary of Action Plan for Afforestation

Action Plan	Acreage	Trees per hectare	Agencies
Increase tree coverage in the present 48 mha forests devoid of vegetation.	48 mha	2500	Forest Departments
Convert at least 60% of the area degraded and not useful for agricultural purposes (43 mha).	12.5 mha 12.5 mha	2000 10000	Forest & Revenue Departments Private Leases for Energy Plantations
Utilise at least 30% of culturable wastes and fallow lands (40 mha).	12 mha	1000	Private Entrepreneurs, Industrialists, Voluntary Organisations—Rotary, Lions, Giants, Jaycees, etc.
Plant trees on 15% of area on roadsides, railway lines, canal banks, farm boundaries (3.6 mha).	0.5 mha	1000	PWD, Railways, National Highway Dept, Irrigation Dept, Village Panchayats.
Woodlots around villages, school yards, public buildings, church yards, cemetries, market squares and houses.			Individual institutions. Aim should be to plant as many trees as possible within the area.
Improve forest productivity & yield in the present forest area (83 mha).			From 0.2 cub. mtr/ha to at least 1 cub. mtr/ha. Forest Depts.
Ban illegal and indiscriminate felling.			All Government agencies.
Energy plantations for rural electrification around villages	5.5 mha	15000	
Avoid wasteful use of fuel.			
Total area for new plantation	91 mha		
Total trees required for plantation	36500 crore trees		

of more than one million hectares every year. Hence it is essential to think of afforestation in a big way and not restrict ourselves to present conservative targets. In order to achieve the target within a reasonable time, the entire afforestation of 91 million hectares of land will have to be spread over the next 20 years with an average of 4.5 million hectares per year. This suggestion of afforesting 4.5 million hectares per year is close to the UN report which calls for afforestation of 4 million hectares per year if India is to have the wood energy it needs by the turn of the century.

Various agencies have estimated an expense of Rs 3000 for afforesting one hectare of land. But in many areas, the saplings get only short time attention and later on goats and animals destroy them. If the saplings grow into trees, in spite of these destructions, then the rural poor will cut off the branches to meet their fuel needs. In order to give more protection that the saplings/trees deserve in a good afforestation scheme, it is essential to provide fencing etc. and the cost per hectare is therefore taken as Rs 4000. At this cost, the investment per year for afforesting 4.5 million hectares would be Rs 18,000 million or Rs 1800 crores.

Hidden Losses

Investment of Rs 1800 crores per year for afforestation is only a small portion of the expected hidden losses due to deforestation at Rs 16,400 crores per year. Damages due to floods cost the country approximately Rs 1200 crores every year and the request from the States to the Centre for financial aid for drought and flood relief has been around Rs 1200 crores in the past few years. The total investment in afforestation will be about 1 per cent of the price tag of Rs 164,000 crores calculated for the forests. Hence an investment of Rs 1800 crores a year should not look as impracticable.

The benefits of afforestation of 4.5 million hectares per year will be as enumerated earlier in various aspects like insurance against floods, droughts, soil erosion, loss of nutrients, creation of ravines and fallow lands, early siltation of tanks and dams, and its contribution to ecology and increased availability of wood for domestic, industrial and energy needs.

One estimate gives the wood production as 10 bone dry tonnes per hectare per year from the fourth year onwards. With an area of 4.5 million hectares of fresh forest land the total production of wood would be 45 million tonnes per year and at a nominal rate of Rs 500 per tonne this would mean a return of Rs 22,500 million a year or Rs 2250 crores a year, which would be more than the yearly investment of Rs 1800 crores for afforestation.

Employment Potential

Another major benefit of afforestation is in the area of providing employment and minimising the poverty to some extent. It has been estimated that 0.25 million jobs will be created for the efforestation of one million hectare of social forestry. At this rate the new jobs created by planned afforestation of 4.5 million hectares per year would be approximately 1.1 million a year in soil preparation, conservation, harvesting, protection and other downstream activities.

This will form a major share of the seven million odd people entering the job market every year and will even surpass the half million jobs a year provided by the industry, trade and Government. If the same investment of Rs 1800 crores per year is made in industries instead of in forestry, the job opportunity will be around 0.18 million, nearly 1/6th of the job that can be found in forestry. It may also be noted that in forestry nearly 40-50 per cent of the cost goes towards the wages to the labour and therefore 1.1 million people would share about Rs 720 crores a year. Each job, employing low level technology, would be paid an average of Rs 6500 per year which would be nearly 16 times the average per capita rural income of Rs 400 or less. This would help in greatly increasing the purchasing power of the people.

In conclusion, it is high time for all of us to arise from the deep wood slumber, awaken to the new knowledge stop not till we reach the final goa afforestation.

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CHIEF EXECUTIVE

Vast Potential for Processed Food Exports

Someshwar Dayal Singh

ROCESSED FOODS have emerged as a major mmodity group in India's exports durg the seventies. From Rs 21.72 crores 1971-72, these exports grew to Rs 4.41 crores in 1980-81, an increase of er 700 per cent. Last year, they are timated to have been around Rs 263 ores.

By their very nature, processed foods e perhaps least prone to recessiory conditions abroad and most ideally ore a vast potential for export earnings view of the existence of a varied cliate, availability of a large rural labour ce, and sufficient land area in the untry.

The products which constitute roughly per cent of the processed foods exrts and which therefore deserve specific ention are meat and meat products, ar gum, fresh fruits and vegetables, verages and fruit and vegetable procts.

Meat Products

Exports of meat products, including ultry, have touched new heights in the t few years. They were of the order of 45 crores in 1980-81 and Rs 64 crores ring 1981-82. Export of eggs alone s exceeded Rs 3 crores.

A fundamental problem in stepping up orts of meat products is that the surses available after meeting the domesrequirements are inadequate. In the t place, therefore, there is need to ourage the establishment of breeding ms so as to meet the growing demand h in the domestic and the markets abd. In addition, it is desirable that dern abattoirs be set up at different tres for export of fresh meat.

ue to the geographical proximity to Gulf markets, India apparently can ome a major supplier of meat prots to this region. In fact, an effort ds to be made at tapping the Gulf ey for the development of infrastrucl facilities such as breeding farms, storages and so on.

Guar gum exports have shown even greater buoyancy, particularly in the last two years. While they amounted to over Rs 47 crores in 1980-81, they rose to an estimated level of Rs 86 crores last year. Currently, however, guar prices have declined sharply. To foster guar gum exports, what is required is price stabilisation measures to encourage farmers to keep up production. For, if production declines, exports are likely to suffer.

Diversification Needed

In the case of fruits, presently mango is the only major item that is exported and that too only to a small order of 4000 tonnes. Moreover, till now we have largely concentrated on the Alphonso variety. Considerable potential exists for popularising other varieties as well. Apples and bananas as well can command good market abroad. Their exports presently are negligible despite sizeable output of acceptable quality.

The pattern of processed foods exports reveals a rather imbalanced picture. Bulk of the exports—about 75 per cent—are routed to three main regions—West Asia (37 per cent), Western Europe (23 per cent), and North America (14 per cent). Africa and a number of the ESCAP countries have remained largely untapped. They are promising markets for our processed food products.

Food processing obviously requires continuous updating of technology and sustained R&D effort. The Indian industry, however, is under-capitalised with many units continuing to employ outmoded machinery. For modernisation and rationalisation of production lines, there does seem to be a case for allowing initially, perhaps for about three years, duty-free imports of the requisite modern equipment and machinery.

The failure of the Indian food processing industry to undertake innovation is largely on account of the low profitability and the prohibitive capital cost of even a pilot scale equipment. For instance, processors in Canada can depend upon POS PILOT PLANT Corporation, SASKATOON, SASKATCHEWAN for a wide range of pilot scale processing equipments as well as comprehensively equipped laboratories on an economical rental basis. Perhaps a similar service can be provided to the Indian food processors by tapping the expertise of our scientists in the national laboratories.

Another limiting factor is the inadequacy of our packaging. Numerous complaints are received on this score. Not only is it essential to improve the existing packaging techniques but also to evolve new ones so as to effect cost reduction and enhance the market appeal of the products. An area which requires immediate attention is bulk packaging.

Significant Step

Meanwhile, the Government's proposal to set up a fruit and vegetable development corporation will be a significant step towards promotion and development of fruit and vegetables processing industry by linking horticultural production with processing, packaging and marketing. The corporation envisagesd to undertake processing projects such as fruit juice bottling plants and juice concentrate plants, and will also provide technical consultancy to the State Governments, cooperative societies, and private entrepreneurs.

However, though the proposal for the above corporation was approved by the Expenditure Finance Committee way back in February 1979, the approval by the Cabinet is still awaited. A provision of Rs 2 crores has already been made for the corporation.

A pilot project for setting up of agro-industrial complexes in Bihar and Karnataka with Bulgarian assistance is yet another proposal likely to play a pivotal role. To solve the marketing problem of horticultural produce in the north-eastern region, a new company by the name of

North-Eastern Region Agricultural Marketing Corporation Ltd, is coming up.

Some incentives, it is heartening to note, are being provided to boost exports of processed foods. Fresh fruits, vegetables and floricultural products have been included for the purpose of additionality of licence and also for eligibility as export house by reckoning their exports at twice the quantum. The 100 per cent export oriented scheme too is applicable to these exports. The inclusion of these exports in the cash compensatory scheme is another such measure.

The concessions granted to the units in free trade zones in this year's budget, allowing them to market parts of their production in the domestic market on payment of excise duty needs, howev to be extended to the 100 per cent exp units as well, particularly in the proces foods sector in the interest of export only quality products.

Though no target has been set for p cessed foods export, a near doubling the present level in the next four to f years is considered an attainable objecti

Business Approach to Export Promotion

R. J. Venkateswaran

We present here two viewpoints on t approach of industry and business export problems, as exemplified in t FICCI export plan for 1982-83.

IN ITS annual export plan submitted recently to the Commerce Ministry, the Federation of Indian Chambers of Commerce and Industry (FICCI) has made several useful suggestions in order to give a stronger impetus to export promotion. Although most of them have been made before, the FICCI did well in reiterating them in view of the urgent need to maximise the earnings of foreign exchange. But some of its proposals do not seem to be well conceived. For instance, the FICCI has said that the Government should set up a consultative council to review the problems and find solutions to them. But past experience shows that such a forum would not be able to make any worthwhile contribution to develop exports.

Some years ago, there was a Board of Trade which was supposed to be the top advisory body of the Commerce Ministry. Later, this was replaced by the Central Advisory Council on Trade. But these bodies rarely met and when they did, they hardly got adequate time to consider the major issues relating to foreign trade. FICCI now wants the Government to set up a consultative council. But, by whatever name it is called, it is unlikely to be of much use either to the Government or to the business community. The Government is already having frequent dialogues with the industrial associations as well as export promotion councils. Yet, most of the urgent problems faced by the export industries like tea and textiles continue to remain unsolved. The consultative council cannot undertake any meaningful quarterly review of achievements and shortcomings in view of the large time-lag in getting the data on foreign trade nor can it promote better coordination of export services.

FICCI has urged the Government to avoid frequent changes in export policy. But what is the Government to do when these are proposed by businessmen themselves? The Government consults industry and trade before formulating its export-import policy and incorporates their suggestions as far as possible. But, as soon as the policy is announced, the Government is flooded with requests to modify them in various directions. If the Government refuses to oblige, it is accused of being rigid. But if it agrees, it is criticised for not ensuring stability. If therefore frequent changes in policy are to be avoided, business organisations should refrain from pressuring the Government for modification merely from the point of view of sectional interests or short-term gains. Even so, the policy may have to be revised often due to unexpected developments in the Indian economy or in the international trade. On such occasions, the Government should, of course, take care to alter the policy in such a way as to cause minimum inconvenience and uncertainty to industry and trade.

FICCI has said that export effort should be regarded as one of the highest national commitments by the Government and business. So far as the Government is concerned, it has already made it clear on many occasions that does attach the greatest importance t export promotion. The fact that th approach is not fully reflected in officia policies and in their implementation is different matter. But how deep is th commitment of business to the development of exports? One can understan new industries not showing much enthusiasm for selling their products i foreign markets. But what is regrettabl is that even export-oriented traditiona industries have not shown sufficien seriousness in promoting exports.

For instance, the tea industry i estimated to spend hardly Rs 2 crores a year on research on a turnover of ove Rs 800 crores. The intiative for introducing instant tea and tea bags has bee taken not by India but by the consumin countries. The Tea Research Associatio is reported to be confronted with th accumulation of heavy arrears of subscription by its member-firms. The othe major industries like jute and cotton textiles have not also shown much dynamism in developing the export markets It is true that official policies are, to some extent, responsible for their lack of a strong motivation to export. But at the same time it cannot be denied that industries, by and large, have not shown suffiient awareness of the need to promote xports and the vast lucrative opportu- ities that exist in various parts of ie world.

Business organisations both at the ational and the regional levels should take a keen interest in export promotion. They should create greater export consciousness among their constituents, offer them prompt advice and effective assistance to sell their goods abroad, and also expose and eradicate malpractices in the export trade. It is not enough if industrial and trade associations become active in the export field only when they have to sponsor delegations to visit foreign countries or have to receive delegations from abroad.

Home-Truths About Exports

Someshwar Dayal Singh

ESPITE SCALING down the export target r this year, in the light of unsatisfac- ry performance in the last two years, e trade deficit is likely to be in the re- on of Rs 5,600 crores. For, if imports e to grow as fast as they did (seven per nt), they will amount to Rs 14,338 ores, an increase of Rs 938 crores m Rs 13,400 crores estimated import ll in 1981-82. A 15 per cent growth in ports as envisaged, on the other hand, uld mean an increase of Rs 1,140 cro- over last year's estimate of Rs 7,600 ores, i.e. a target of Rs 8,740 crores.

n its export plan for 1982-83, the deration of Indian Chambers of Com- rce and Industry (FICCI) has recom- nded several measures to step up the port effort, which, it emphasises, must regarded as one of the highest natio- commitments by Government and siness. However, it is difficult to con- ntrate on exports alone as something ependent of the overall production orts in the country. A shortfall in wer generation, raw material supply d the occurence of labour disputes—by ecting production in general—will auto- tically take their toll on exports as ll. Thus, solving the basic problems production and marketing in the eco- my as a whole and in every sector will itself show an improvement on the ort front.

ries of recession, which even FICCI voiced rather vociferously, are stran- y enough just the prelude to an export om. For the FICCI itself to draw h a relationship between recession and nper exports will, of course, be too barrassing. But the fact is that twice— 1968-69 and in the mid-Seventies— en industry was complaining bitterly recession having saddled it with surplus production the subsequent periods did see unprecedented rise in export turnover.

Most surprising, however, is the fact that the important subject of exchange rates finds no place in the export document prepared by the apex body of commerce and industry in the country. The devaluation of 1966, for instance, definitely accounted to a great extent in realising the export boom of the late Sixties by making our exports more competitive. Similarly, the boom in mid-Seventies owed a lot to the floating nature of our currency—as the pound sterling weakened against the dollar, there was depreciation in the value of the rupee which improved the competitive strength of Indian exports. Thereafter, the rupee has been linked to a basket of currencies, weighted substantially by the dollar. And as the dollar grows stronger, the rupee appreciates as well, thereby making it more difficult to promote exports on the strength of the rupee.

It cannot be denied, nevertheless, that the world conditions were considerably better in late Sixties and the mid-Seventies than they are currently as global recession has cut the volume of international trade. Total world exports, in fact, actually saw a fall of (—) 2.34 per cent during 1981. But whereas the UK and Hongkong have succeeded in progressively increasing their share of world trade and the USA, Japan, West Germany and South Korea have more or less managed to hold on to their share, India's share has seen a steady decline—from 0.61 per cent in 1977 to 0.43 per cent in 1980.

Some of the highlights of FICCI's export plan include the proposal for setting up a Consultative Committee to periodically monitor exports and a plea for stability in export policy. The uncertainty, for instance, regarding the period, form and content of the cash compensatory scheme only hampers the exporters from undertaking future contracts.

Regarding the volume of credit, FICCI estimates the requirements of the exporting community in the current year at Rs 2,300 crores. This corresponds to their calculation that the credit requirements are about 25 to 26 per cent of the value of exports. With the setting up of the Exim Bank with an authorised capital of Rs 200 crores and a paid-up capital of Rs 50 crores, a higher generation and better co-ordination is expected amongst the various institutions providing export finance.

In the scheme for 100 per cent export oriented units, which came into effect from January 1981, despite an encouraging number of units having sought approval (about 110) only two units are believed to have actually gone into production till the end of March this year. While the scheme is recognised as an excellent lever to step up exports, industry feels that some modifications could lift it off the ground by making it sufficiently attractive. For instance, as is permitted for the units in the free trade zones, selling 25 per cent of the production in the domestic market could be extended to the 100 per cent export oriented units as well. The latter, it is contended, should also be given a tax holiday and thus put on par with the free trade zones.

The total investment in the units sanctioned for 100 per cent export is over Rs 900 crores. They are likely to generate Rs 2000 to Rs 2500 crores. Some of this revenue, however, will be counterbalanced by corresponding imports and the value-added component is unlikely to be more than 20 to 25 per cent.

Economic Analysis

How to Avoid East Europe's Errors

Swaminathan S. Aiyar

THERE WAS a long period when India attempted to follow the autarchic, control-ridden and public sector-oriented policies of the COMECON countries. These were the countries that had pioneered planned economic development along socialist lines, a theme so close to the heart of the late Pandit Nehru. He saw the private sector (and foreign companies in particular) as a hindrance, as something to be cut to size and saddled with innumerable regulations. This policy was continued by Mrs Indira Gandhi in her Garibi Hatao phase. It had become evident by the mid-1960s that the system was not working properly, but she believed that the answer was to have still more nationalisation, canalised trade, and controls. When that did not work either, there was a reversion to liberal policies. The socialist rhetoric continued (on the part of Janata no less than the Congress)—no ruling politician was willing to subscribe to a liberal, market-oriented economy as a matter of ideology. But it was tacitly recognised that ever-expanding Government control only led to ever-expanding inefficiency.

There was unquestionably a role for the Government, but an equally important one for the private sector. And so there has been creeping liberalisation for the last seven years, a gradual freeing of the economy. The oil crisis then drove home the futility of autarchy—skyrocketing oil prices made it clear that imports had doubled as a percentage of national income, and autarchic development had to be explicitly abandoned as unviable.

This has been a matter of regret to our leftist friends, who still hark back to the bad old days of autarchic planning. But the fact is that even the Communist countries of East Europe, the original models for socialist planning, are now in the grip of a fundamental economic crisis which could result in massive social explosions. Such an explosion has taken place so far only in Poland, but this could be just the tip of the iceberg. Special factors hastened the process in Poland, such as a tradition of intense nationalism, the role of the Church, and a past history of strikes. But the underlying causes were economic, and are shared by the whole of East Europe. Unless these problems are solved, the Polish virus could spread to its neighbours. The problem is nothing less than the failure of central planning and total Government control and ownership.

In India too we have faced similar problems, but have been saved by a resilient private sector (particularly in agriculture), the infusion of private sector managers and attitudes into the public sector, and a pragmatic shift towards a liberlised economy. East Europe is also seeking the panacea of liberalism now, though it is handicapped by the absence of a worthwhile private sector. Its crisis holds lessons for our blinkered leftist friends who still believe we should revert to the bad old model of Socialist autarchy which has landed the Communist nations in the soup.

To be fair to them, it must be stated that such policies did indeed yield handsome dividends for a long time. In the 1950s and 1960s, the economies of East Europe grew much faster than those of the West. Using similar tactics, India too achieved soaring industrial growth in the Second and Third Plans. These tactics included the use of the public sector as the engine of growth, blind import substitution regardless of the cost of inefficient industries, the forced sale of sub-standard goods in a protected market, an obsession with increased investment without bothering about its productivity, and the minimum possible exposure to the world economy by imposing strict trade controls and trying to get essential goods on a barter basis through rupee trade. Countries like the USSR and India were large enough to attempt an autarchic mode of development on their own. The smaller countries of East Europe could not, but got together with Russia in COMECON to form an area wide and diverse enough to sustain autarchic growth.

The attraction of autarchy was that domestic production could develop fast unhampered by foreign competition or international standards. It did not matter much if there were long delays in implementing projects, if the quality of goods was poor or the cost of production high—domestic consumers could be forced to buy these goods, and surpluses squeezed out for investment through levies, and deficit financing. In East Europe, the system had the considerable advantage of being able to dragoon labour and ban strikes. It also had the advantage of not having to worry about inflation, as shortages led to longer queues at shops rather than higher prices.

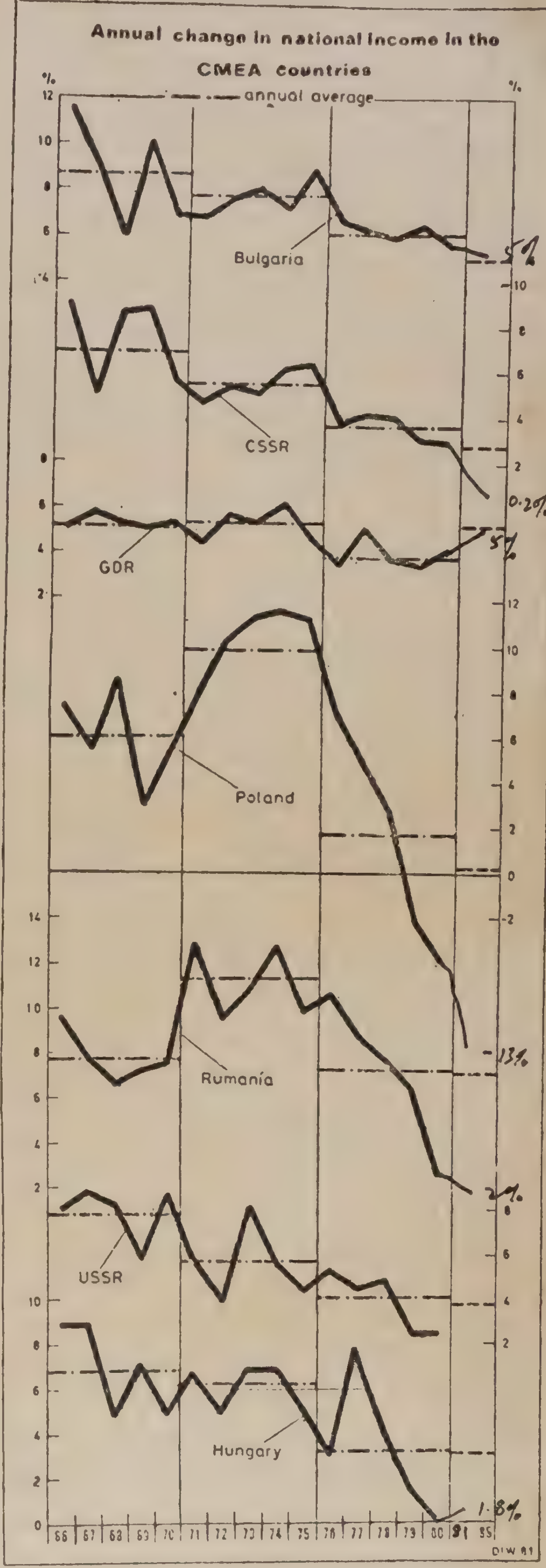
For a time in both India and East Europe this formula yielded good results. The system broke down first in India because of the failure of agriculture and uncompetitiveness of exports, leading to the food and foreign exchange crisis of 1965. Food and foreign exchange are the very same problems that now plague East Europe in general and Poland in particular. The chickens have come home to roost. The very policies which initially spurred rapid growth ultimately created a system so inefficient that it could not sustain itself. Centralised planning in the public sector, which could produce vast quantities of sub-standard goods by inefficient means, was unable to produce enough food or penetrate the competitive export market.

In the 1960s and early 1970s, countries like Poland, Bulgaria and Rumania recorded extremely high growth rates, sometimes exceeding 10 per cent. The maturer Communist economies like the GDR, Czechoslovakia and Russia grew more slowly but at very respectable rates. By 1981 Poland was ruly in the mire with growth falling to ninus 13 per cent (the third successive ear of decline). Growth dropped to .2 per cent in Czechoslovakia, 2 er cent in Rumania and 1.8 per cent n Hungary. Bulgaria and the GDR lid much better, averaging 5 per cent. ut Russia was ravaged by yet another ad harvest, estimated at 30 per cent elow the target.

Of course, Western economies also ared poorly in 1981. The era of high il prices starting in 1974 has seen the ownfall of both Western and Communist economies. But it would be a erious mistake to think that both ave the same basic cause. The West is uffering from a recession—a surfeit f goods for which there is no demand, he Communist nations are suffering from an acute shortage of goods, and though there is plenty of money in the pockets of their workers thanks to deficit financing, there are not enough goods in shops to spend this money. The Communist problem of shortages is far more ominous than the Western one of recession.

In the 1950s and 1960s, the COMECON countries were able to develop largely as an autarchic group. There were enough raw materials and fuel in the region as a whole, and enough technology for basic industrialisation. But by the 1970s the need for getting modern technology become apparent. The region also fell short of fuel and raw materials, which had to be imported in increasing quantities. The Communist nations borrowed massive sums from Western banks to import technology, capital equipment and raw materials. They expected that this would enable them to boost production as well as exports to help repay the bank loans. In fact the inefficiency of the Communist production ensured that this did not happen, so that East Europe is faced with mountainous debts. There is no way in which Poland can possibly repay its debts, with overdues already standing at 80 per cent of its annual exports. Rumania too is in serious trouble, and others not far behind. Fresh loans to East Europe have been ruled out by banks, so that the whole region is in desperate trouble.

The induction of Western technology and capital goods into East Europe has proved insufficient to produce competitive, exportable goods. When the entire industrial culture of a centrally-planned system is defective, it cannot be saved by new machines or know-how. Its emphasis has always been on the volume of production, not quality, as managers are interested in meeting Plan targets, not in asking the captive market whether it is satisfied with the end-product. There is no incentive to economise in the use of materials or innovate. There is no cost-consciousness, and the over-designing of equipment and wasteful use of materials and fuel is commonplace. The money available to an organisation depends not on profits but only on Government allocations, so it pays to exaggerate costs rather than cut them.



This wastefulness and inefficiency is well illustrated by the gigantic appetite of East Europe for steel. Of the dozen biggest consumers of steel per capita in the world, no less than six are Communist nations, with Czechoslovakia being the champion. The most amazing is Rumania—professedly a developing nation—which ranks fifth in the world in per capita steel consumption. This is not because of massive industrialisation but became of the massive and wasteful use of steel in giant, overdesigned structures. The consumption of nearly all raw materials is much higher for a given output of finished goods in East Europe than in the West. East Germany consumes 20 per cent more energy per capita than West Germany despite a much lower output per capita.

In East Europe, as in India, there has been a sharp increase in the capital-output ratio, reflecting falling productivity. It is ironic that at a time when our old-style leftists still urge increased Plan investment, East Europe (and even Russia) is looking at the quality and not just the quantity of investment. This is tacit acknowledgement of the fact that the earlier strategy made for inefficiency and low productivity. Controls prevented Government agencies themselves from seeing trends; faulty pricing policies, distorted consumption and expectations, and the bureaucratic culture proved unequal to the task of generating efficiency.

The basic inefficiency of the system has been aggravated by demography. In earlier times, the large-scale use of labour could cloak other weaknesses. But with the sharp drop in the birth rate, there is now a shortage of labour in East Europe, and the organisational capacity of the system has been unable to adjust to this.

The worst is yet to come for East Europe. For a long time, it got all its oil from Russia at a cheap price. But now Russia has given notice that it cannot step up supplies in the next five-year plan ending 1985. Hence East Europe has to look to expensive OPEC sources, which demand hard currency. The price of Soviet oil is a five-year moving average of OPEC prices. This means that East Europe is still paying only 70 per cent of the world price for Soviet oil, and will have to pay much more in the years to come. This itself will soak up much of the extra credits the Soviet Union is giving East Europe in the face of the hard currency crunch.

Agriculture has long been the bugbear of Russia and East Europe. Only in Hungary has production been anything like satisfactory, thanks in part to the great dilution of central planning in that country, and farm co-operatives instead of collectives. In Russia, small private plots produce three-quarters of the country's poultry, vegetables and eggs, but the large farms are disasters. Hungary has extended its policy of decentralisation to all sectors of industry and is unifying its dual-currency rate to try and integrate itself better with the world economy. But this is a gamble—the Western system with which it seeks to integrate assumes bankruptcies and unemployment as ordinary facts of life, and it would be very difficult for a Communist nation to accept these. Only 30 per cent of Hungarian industry is internationally competitive—70 per cent needs to be restructured, a formidable task.

India too faced a food and foreign exchange crunch in the mid-1960s. It has substantially overcome both problems by means not available to a Communist State. The green revolution in India depended critically on harnessing the genius of the private farmer by giving him the new technological inputs and know-how. This wa accompanied by a tubewell revolution where private irrigation was used infinitely more efficiently than publi irrigation. (Many experts have pointe to the huge waste in major irrigatio schemes).

The foreign exchange crisis was similarly surmounted by private efforts Although the public sector has consistently accounted for three-quarters o all industrial investment, it account for only a tiny fraction of exports—that is done overwhelmingly by th private sector. The 1970s saw the sky-recketing of garment and diamon exports in a manner and scale whic no planner had predicted—it was th outcome of straightforward enterpris on the part of hundreds of small operators. And no planner had foreseen eithe the torrent of remittances from India workers in the Gulf which saved ou bacon in the second half of the 1970s It was the flexibility of our people, their ability to innovate and do unexpected things, their ability to d efficiently what giant public enterprises cannot, which saw us over the hump.

This is our real strength, and we need to capitalise on this instead of importing doubtful virtues from the collapsing systems of East Europe.

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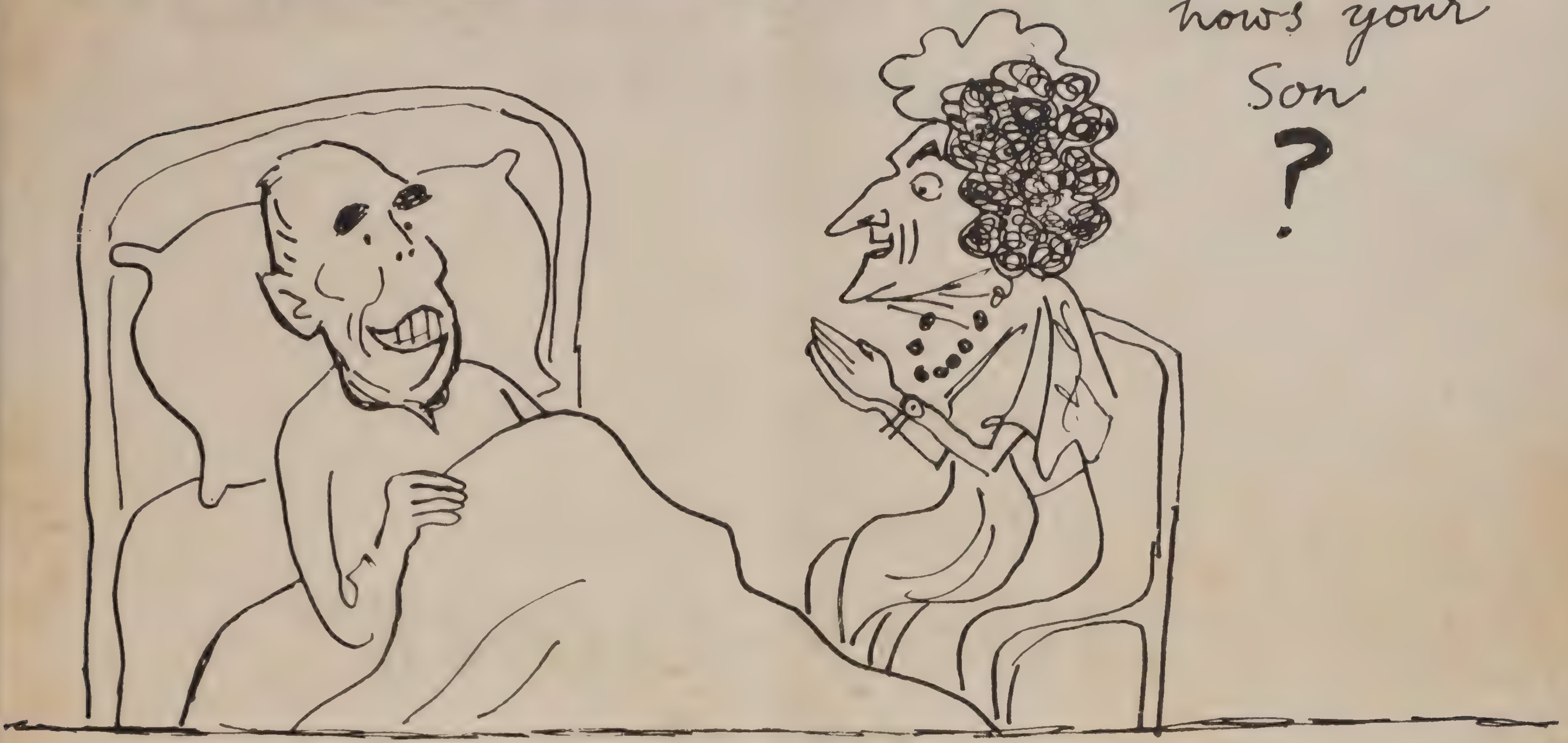
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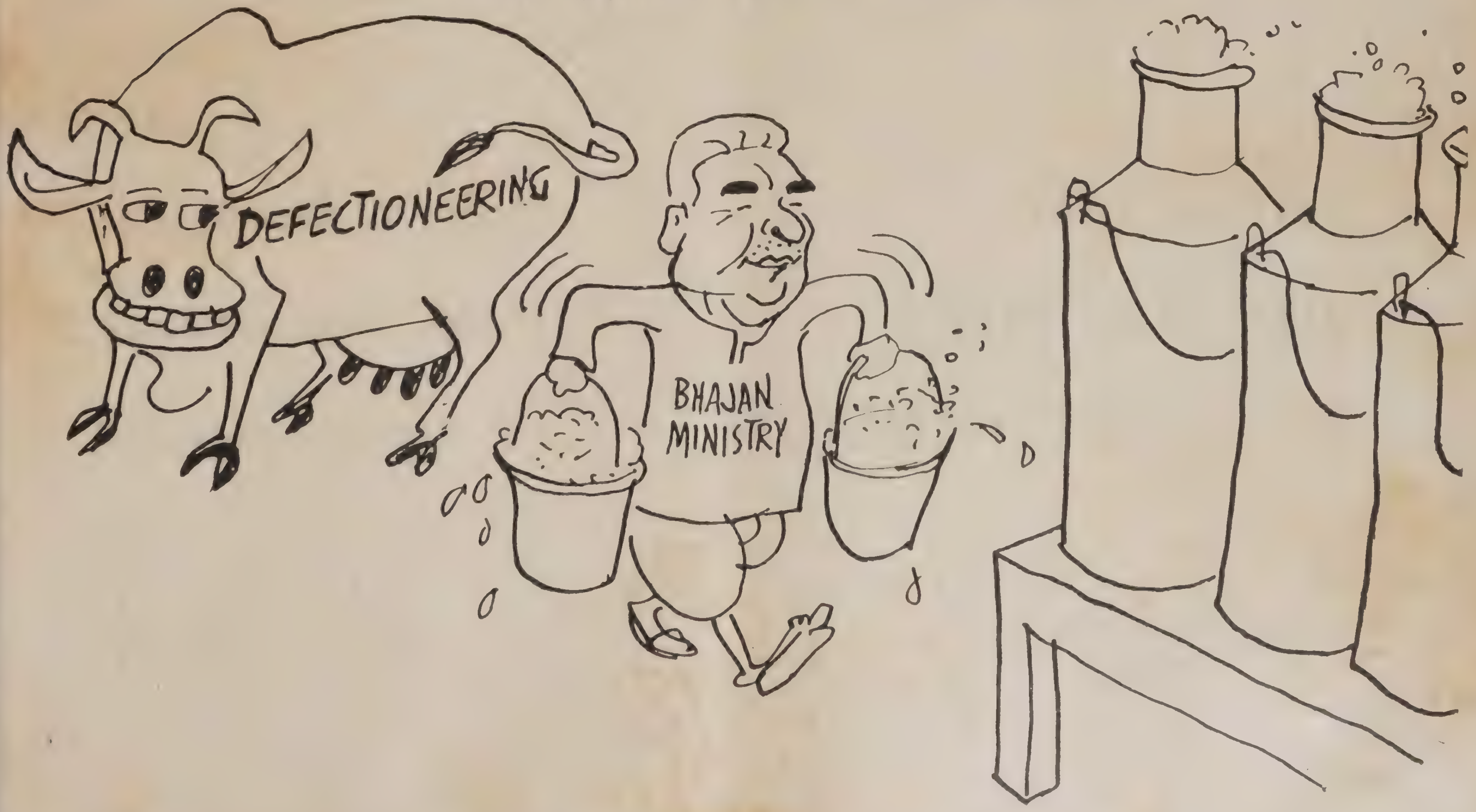
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Boosting Kharif Output

VEN THOUGH the encouraging procure-
ent of wheat this year has raised the
overnment stock of foodgrains to around
million tonnes, the Union Ministry of
griculture had intensified efforts to
ure a new peak in the production of
arif grains at 83.1 million tonnes.
ast year the kharif crop was around
million tonnes.

Already according to the officials of
e Indian Agricultural Research Insti-
te, steps have been taken to expand
ltivation of pulses, particularly moong,
an additional area of 0.8 million
ctares, which will yield an extra out-
t of 400,000 tonnes. A sum of Rs 100
ores was released recently to enable
ate Governments to energise themselves
r meeting the requirements of the
ming community. Now the Union
overnment has worked out a detailed
an for stepping up kharif production
general and that of rice in particular.
mong coarse grains, a new high yield-
g variety of sorghum has been released.

This detailed action plan takes into
nsideration the possibility of deficient
nfall due to mild summer, although
e recent predictions discounted this
entuality.

Community Nurseries

A massive programme of community
rseries in irrigated areas is stated
eady to be under way so that paddy
edlings can be made available to
mers in the unirrigated areas. Far-
rs are being discouraged from raising
ddy in upland areas where rainfall is
t assured. The State Governments
ve been asked to take a series of mea-
res, including ensuring of adequate
wer and diesel supplies for irrigation
rposes, during the crucial stages of
p development. The releases of water
m irrigation canals is to be planned
efully for community nurseries. A contingency programme has been conceived to make available seeds for alternative crops in case the first sowings fail to fully materialise for any reason whatsoever.

The crop weather watch group of the Union Government, which monitors climatic conditions in the country and their impact on farm production, has been advised to hold discussions at the district and State levels with the representatives of meteorological department, irrigation department, agricultural universities and the Indian Agricultural Research officials. This has been done to ensure that advance warning can be provided to cultivators in case a dry spell is forecast. To cater for the fodder requirements of cattle the State Governments have been asked to set up fodder banks.

Credit Arrangements

Arrangements are also being made to provide credit to agriculturists in case of drought. Conversion of short-term credit into medium-term loans may have to be resorted to in certain areas. The modalities of this conversion are being worked out. Contingency plans have also been drawn up under the National Rural Employment Programme to take care of the resultant unemployment from dry spell. Another important component of this strategy is the ensuring of adequate supply of drinking water in the drought prone areas. The State Governments have been directed to repair tubewells and canals so that they may be kept fully operational during kharif season.

An approximately 83 million tonnes kharif crop will undoubtedly help in improving the buffer stock position next year considerably. Rice procurement during 1981-82 has been slightly over seven million tonnes, a new record. The envisaged increase of four million tonnes in the kharif output this year will have a salutary effect on Government purchases of rice, coarse grains as well as pulses. Last year Government agencies bought around 2.5 lakh tonnes of coarse cereals and pulses.

Textile Strike Issues

JUDGING BY the speech of Mr Hareschandra Maganlal, Chairman, at the annual meeting of the Millowners Association, Bombay, a change in the attitude of management over the textile strike—the longest on record—can be seen. It is no longer one of either wishful thinking that the strike would fizzle out or threat of shifting mills out of Bombay succeeding if labour persists in its adamance. Even while asserting that the demands are "fantastic", the MOA Chairman suggested that they may be referred by the State Government to arbitration of the Industrial Court under Section 73 of the Bombay Industrial Relations Act, 1946. All the trade union leaders, he said should gracefully accept such a reference and withdraw the strike. This attitude is definitely conciliatory. It is to be hoped that Dr Datta Samant will respond to this gesture and help facilitate a settlement.

The damage caused by the strike should be evident from a few telling statistics. The total number of mandays lost is around 26 million, a staggering figure. This surpasses even the total number of mandays lost by the country as a whole in 1981 which was around 25.5 million. The loss of production has so far been around 600 million metres of cloth valued at Rs 600 crores. The loss of exports is around Rs 115 crores and the loss of revenue of the Central and State Governments is around Rs 120 crores. While the workers have lost more than Rs 125 crores by way of wages and fringe benefits, the industry has had to fork out by way of standing charges well over Rs 110 crores.

The MOA Chairman did, therefore, well in raising certain wider issues which would have to be taken into account even while trying for a settlement. It has to be mentioned that the strike has affected not only the 47 private mills but also 15 government-run mills. The RMMS, the representative union under the Bombay Industrial Relations Act, has been relegated to the background by the militant union led by Dr Samant claiming majority support. The question is, how exactly is this to be ascertained and how quickly ? The present machinery is obviously inadequate and what modifications are needed to ascertain the claims of a rival union have to be determined.

T.T. Vijayaraghavan writes from Bombay

Another aspect relates to the question of parity of wages. In capital-heavy industries like chemicals and engineering, the value added by production per unit of labour is far higher than in the case of traditional agro-based labour-intensive industries like textiles. If the textile industry is required to pay the same wages as are obtaining in the capital-heavy industries, then wages will absorb the entire value added by production. How to bridge the gap between the incomes of these two sets of industries, therefore, requires careful examination.

The third aspect relates to the degeneration of collective bargaining to coercive bargaining based on intimidation and violence. When wages go up in capital-intensive heavy industries like chemicals and engineering, they pass on the wage hike to downstream industries through higher prices to maintain their profitability. Downstream industries, which happen to be mass consumer-oriented industries like textiles, are in no position to pass on the burden of higher wages to the consumers since there will be resistance to increase of prices. At the same time they have to put up with higher input prices from the upstream industries.

A rational system of wages for various industries and for public sector employees based on capacity to pay has, therefore, to be evolved. This does not brook delay. The wage-fixing machinery should recognise that when there is a yawning gap in the value added between strong capital-intensive industries and week labour-intensive industries, suitable modifications in the wage structure are called for.

There should also be a certain measure of wage stability so that the working at the enterprise is not affected and its expansion and progress impeded. In this connection the MOA Chairman pointed out that wage stability is possible only if the dearness allowance is not varied on a month-to-month basis of the consumer index. There should be a system of fixed dearness allowance for one year based on the average of the index of the previous year. This system, he said, had the merit of a stationary packet for one whole year apart from the benefit of giving an indication of the likely pay-packet for the next year through an advance knowledge of the movement of the consumer price index during the year. The enterprise will thus be able to plan its production to absorb the wage rise, if any, indicated by the index movement.

Prodding for Power

ON JUNE 4 the Government of West Bengal announced the appointment of a committee to draw up a perspective plan for dealing with the power problem. It will assess the State's requirements of power by the year 2000 and suggest the steps to be taken to meet the demand. The committee has also been asked to consider the present power situation and recommend measures to improve the supply. Its members are Mr D.K. Bose of the Indian Statistical Institute, Mr A.B. Das Gupta, Member, State Planning Board, Mr Aloke Ghosh, former Chief Engineer, Calcutta Electric Supply Corporation, Mr B.N. Datta, former Member, State Electric Board, and Mr S.K. Mukherjee, Me ber of the State Electricity Boa The Minister of State for Power, N Shankar Gupta, said that the committ would be enlarged to include one poli cal leader. He explained that this w necessary to reflect the Government "political views" on power.

But it seems surprising that no repr sentation has been given on the com mittee to industry which is a large con sumer of power. In the last few month industrial associations in Calcutta ha organised several seminars and work shops on power at which specific recommendations had been made to deal wit this problem. A great deal of stud has already been made regarding th extent of shortage that is likely to aris in the coming years and the steps tha should be taken to meet the demand It may be that the committee will examin these suggestions while submitting it report. Even so, the failure to associate industry with the work of the committee seems to show that the Government i not keen to take advantage of the ex pertise in the private sector in tackling this problem.

R. J. Venkateswaran writes from Calcutta

What did the Minister of State fo Power mean when he said that the committee would reflect the Government's "political views" on power ? Was he referring to the role of the trade unions in the power plants, which are dominated by political parties ? The power sector has already been politicalised with disastrous results on discipline; and further attempts in this direction will only aggravate the crisis.

The *Economic Times* revealed, in a report in its issue of June 23, that the power situation in West Bengal was gradually improving and that the extent of shortage would ease by the end of the year. The report said : "Enquiries from the State Electricity Board sources indicate that there has been a distinct improvement in the maintenance and supervision work in both Santaldih and Bandel thermal plants after the new Minister of State for Power, Mr Shankar Gupta, took over. This has been possible, it is pointed out, because of the continuous prodding which the new Minister is giving to the concerned persons for speeding up the work. Since Mr Gupta is solely in charge of power, it has been possible for the officers and engineers to draw his immediate attention to the problems".

But why is "prodding" necessary and that too on a "continuous" basis ? According to the dictionary, the word *prod* "suggests "a start or jolt that makes one newly aware of something". But how is it that even after completing five years in office, the Left Front Government finds that the employees in the power sector have to be "prodded" by the Minister himself to do their job ?

Meanwhile, the Congress(I) has drawn attention to certain disquieting trends in the management of power plants. During the debate in the Assembly on June 18, a Congress(I) member pointed out that the State Government had installed five gas turbines to produce power during the peak hours but they were operated regularly because the thermal plants were not working properly. He disclosed that fuel costing Rs 15 lakhs was being consumed every day by the gas turbine while coal worth Rs one lakh was sufficient to operate a thermal unit. "Who will answer for this colossal waste", asked the member.

Scandalous Cuts

The State Government, therefore, cannot afford to be complacent because of some temporary improvement in the supply of power. Nor can it take comfort from the fact that in some other States, also, power scarcity is being felt acutely. A report in the *Statesman* of June 23 said that in Digha, a tourist spot which handles over 300,000 tourists every year, power cuts sometimes continued for 24 to 36 hours at a stretch, which gives some idea of the magnitude of the shortage. Therefore, even without waiting for the report of the committee set up recently, the Government should take energetic measures to make better use of the existing generating capacity, for which there is enormous scope. The Jahar Sengupta Committee, which was set up last year by the Calcutta High Court, has made many realistic recommendations to increase the supply of power in the short period. The Minister of State of Power should find out how many of them can be implemented so that the rigours of load shedding can be reduced and greater confidence can be created among consumers of all categories about the Government's ability to handle this problem.

Calcutta Port : Return of Confidence

OFFICERS OF the Calcutta Port Trust are reported to be going round the States of Bihar, Uttar Pradesh, Rajasthan, Haryana and Punjab with a view to persuading businessmen in these places to divert their cargo through Calcutta. The authorities expect that when the trade and industrial circles outside West Bengal are correctly informed about the improvement in the performance of Calcutta and the availability of better and cheaper facilities for loading and unloading, there is bound to be a larger flow of cargo through this port. In the last few years, the port's reputation had suffered seriously because of persistent labour agitation, obsolete equipment and its poor maintenance, and the excessive handling charges. The port's image in other countries had also been impaired greatly with the result that foreign vessels were reluctant to come to Calcutta.

It is, therefore, encouraging to note that conditions in the port have improved to such an extent as to create optimism both in official and business circles about its prospects in the coming months. Labour productivity is reported to have increased by about 25 per cent, while the berthing delay has been drastically reduced. The waiting time for a ship at present is less than a day on an average. Calcutta port now handles annually 4.4 million tonnes of cargo and Haldia 5.5 million tonnes. It is felt that, with the existing facilities, Calcutta and Haldia can handle as much as 7.5 million tonnes and 8.5 million tonnes, respectively. The authorities are considering a proposal to allow concessional charges to shippers who export or import large quantities of cargo.

Eternal Vigilance

It remains to be seen to what extent the improvement in the working of the port can be sustained. It is essential to maintain eternal vigilance over the port's performance and to ensure that the existing facilities are constantly expanded and modernised. A careful watch should also be kept on the labour front. Numerous trade unions are operating here, of which only a few are recognised. It may be recalled that in 1979 and 1980 prolonged labour trouble severely crippled the port's working. In 1979 its operations had to be suspended for 135 days because of agitation by one section of workers or another and, as a result, the exports of jute goods, tea and several other products suffered seriously.

The infrastructural facilities, especially those relating to communications, need to be improved a great deal. At a seminar held in Calcutta in December last, the representative of a leading shipping company complained that its officers on the ship had to walk "for miles and miles to get to a working telephone to pass on important messages". Other deficiencies highlighted at the seminar were about the lack of adequate supply of fresh water to the ships, meagre facilities for repairs, and the bad condition of the approach roads. It was also pointed out that though the port had the largest number of dry docks in the country, they were not working satisfactorily. It was stated that these dry docks were not dry and that the pumps and auxiliary equipment were not able to cope with the ingress of water. The dry lock charges in Calcutta were said to be the highest in the world while the available facilities were meagre.

The authorities, therefore, should look into these and other grievances of the users of the port and take appropriate measures to deal with them. It is also important to plan for the port's development over a period of years on a realistic basis and draw up schemes to enable it to cope efficiently with the changing volume and variety of cargo. It is estimated, for instance, that the export of engineering goods through Calcutta port will increase from 4,93,600 tonnes in 1982-83 to 11,35,000 tonnes in 1985-86. These would include capital goods, consumer durables, primary steel and pig iron based products and non-ferrous items. The port, therefore, should be capable of handling efficiently, these and several other products which are expected to assume more importance in the export trade of the eastern region.

Edible Oils Perspective

THERE CAN hardly be any disagreement with the plea of the Chairman of Hindustan Lever Limited, Dr A.S. Ganguly, made at the annual general meeting of his company in Bombay last week, that oilseeds production now ought to be accorded a national priority. The country has already become self-sufficient in foodgrains in a normal year of rainfall. Concerted endeavours are being made to step up the production of mineral oil and contain the demand for petroleum products. These have been the two foremost national priorities in recent years.

The need for concerted efforts at boosting the production of edibe oils has arisen because following deceleration in the annual rate of growth from 3.48 per cent between 1952-53 and 1964-65 to 1.62 per cent between 1967-68 and 1978-79, large imports of edible oils have had to be resorted to. As against just about 600,000 tonnes in 1970-71, these imports during the past two years have been around one million tonnes, costing each year approximately Rs 600 crores in precious foreign exchange. Thanks to a significant increases in output last year to between 11 and 12 million tonnes from 9.4 million tonnes in 1980-81, imports may be somewhat lower this year. But still it is feared that should the production trends of the seventies persist, the gap between requirements and supplies from domestic sources may grow to about two million tonnes by the end of the current decade, even at the very low level of present per capita consumption.

Along with the production of pulses, the output of oilseeds has shown only a modest increase during the 30 years to 1980-81. The total yield of the five major oilseeds, namely groundnut, mustard, sesamum, castor and linseed, has gone up during this period by just 61 per cent, as against an increase of 158 per cent in the case of rice, 464 per cent in wheat, 88 per cent in coarse cereals, 33 per cent in pulses. 163 per cent in sugarcane, 153 per cent in cotton and 148 per cent in jute and masta. The rate of growth in the case of edible oils, of course, has been somewhat larger than 61 per cent but the increase in the output of non-edible oils has been less impressive.

Energetic Action

Following the energetic action being taken now to increase edible oils production, Dr Ganguly expects that it might be possible to reduce imports by 30 to 40 per cent by 1984-85. These efforts include extension of oilseeds cultivation to irrigated lands, release of new high yielding varieties of oilseeds, particularly groundnut, and improving the yields of sunflower, soyabean and cottonseed oils. Two major programmes have been launched recently to step up the output of groundnut and soyabean. The special project concerning groundnut has been launched in Saurashtra and that concerning soyabean in Madhya Pradesh. The former entails an outlay of Rs 35 crores over a four-year period and the latter Rs 15 crores over a five-year period. These measures and the further steps that may be taken can go some way in helping attain near self-sufficiency in edible oils by the end of the current decade or soon thereafter. But, as Dr Ganguly has suggested, the problem of outgo of foreign exchange on account of imports of edible oils can be well tackled another way.

According to Dr Ganguly, the good scope for pushing up exports HPS groundnuts and extractions. groundnuts, which command a hands premium in the overseas markets, ca exported annually to the extent of lakh tonnes. This may entail ab 90,000 tonnes loss of oil to the coun But the nearly $160 million that can earned from these exports can hel importing cheaper edible oils to as la an extent as three lakh tonnes. Exp of extractions too can yield sizea foreign exchange. The two together bring down the net edible oils imp bill considerably.

Large Potential

Dr Ganguly's plea for stepping up t production of the non-edible oils, par cularly rice bran oil, part of which, course, can be made of edible quality, t deserves pertinent notice. So does t stress he has laid on augmenting t output of palm oil. Increase in the ri bran oil output to about 150,000 tonn from just around 500 tonnes in 1960 h enables the country to dispense wi tallow imports for the manufacture soap. The present production is said be just a fraction of the potential ava ability. Increase in the output of no edible oils can go a long way in meeti the oil needs of such industries as soap a paints and varnishes, thus releasing edib oils for human consumption.

Another important point that Ganguly has made is the charging economic price for imported edible o supplied to vanaspati manufacture This, he believes, can yield sizeable fun for research efforts in oilseeds producti the augmentation of which is sore needed at present. Undoubtedly t price of vanaspati will go up as a sequ to this step. But then apparently the has to be a close relationship betwe vanaspati prices and the prices of edib oils going in for direct consumption.

The need for augumenting the pr duction of other minor oilseeds such a sal seeds and sunflower seed, niger, et similarly, cannot be over-emphasise Only modest beginnings have been ma in this regard as yet. As in the case rice bran oils, these minor oilseeds t have great potential.

East-West Trade: Can it be Made to Go Away?

V. Balasubramanian

EAKING TO his favourite American
onomic journalist at Versailles, the US
easury Secretary, Donald T. Regan,
scribed the communique's recommen-
tions on trade with the Communist
oc as a "work of art". The sarcasm
s evident and so was his chagrin.
esident Reagan had descended on
rope with four purposes primarily
view. They were: (a) Taking the heat
the anti-nuclear agitation off the
lantic allies by convincing Govern-
nts and communities in the region that
would genuinely seek to negotiate the
mantling of nuclear arsenals with
esident Brezhnev; (b) pouring oil over
troubled waters of the peace move-
nt by pleading to be their best hope
earth; (c) persuading the principal
lustrial countries to accept the inter-
tionalisation of Reaganomics as a
e-fire formula for non-inflationary
owth; and (d) persuading the West
ropean and Japanese Governments
n hands with the United States in
posing a credit squeeze on the Soviet
oc for effecting an across-the-board
luction in the volume of East-West
de. The American Government, accord-
g to one calculation, spent about 12
llion dollars, on its President's road-
ow. At an investment of some three
llion dollars, Treasury Secretary Regan
els, presumably, that the "work of art"
an expensive buy. He is probably right,
pecially as the work of art is threaten-
g to become a museum piece even before
e paint dries.

The truth is that the economic embargo
as a non-starter. On the eve of Versail-
s, Canada's Prime Minister Trudeau
d bluntly asserted in Ottawa that his
overnment believed in "economic inter-
ependence" as a valuable insurance
ainst the hotting up of East-West poltical tensions. He was not speaking only for himself. On the morrow of Versailles, a brash American TV reporter asked Schmidt whether he expected President Reagan to play a leadership role at the summit. West Germany's Chancellor blandly replied that summits were by definition meetings of peers. Having stated this bottom line, he evidently thought it sufficient, when questioned subsequently about his views on trading with the Soviets, to take his country out of the debate by pointing out that it traded twice as much with "tiny" Austria as it did with the USSR.

Small Talk from Washington

The wily West German, it could be inferred, was banking on France's President to take on the Americans on this issue. Mitterand did not disappoint. He, however, kept his counsel until the arguments began in the Hall of Mirrors. There were more than enough of those mirrors on the walls for him to turn the trick on Ronald Reagan. The slickness of the act is easily seen in the neat way in which American aggressiveness has been controlled in the drafting. After pledging to monitor more strictly the restrictions on exports of strategic goods to the Soviet bloc, which had been agreed to among the allies in January this year, the signatories agree to exchange information in the OECD on all aspects of economic relations with the COMECON Governments and handle financial relations with them on a sound economic basis, bearing in mind the need for commercial prudence in limiting export credits.

This certainly was not all that the Reagan sherpas had gone to the summit for. But this, precisely, was all that they could get. Treasury Secretary Regan, on second thoughts, must be able to perceive as mcuh craft as art in the workmanship of the European hands. For weeks before they started packing their bags for the expedition, officials in State and Treasury were declaring that their travelling kit would contain formidable implements for persuading the Europeans to stop extending to Soviet Bloc purchases export credits that were keeping the interest charges for the Communist Governments at below 12 per cent and rearrange their financial dealings with them so as to make them pay commercial rates of interest upwards of 12.5 per cent. To be sure, they are not by any means saying here now that the battle is over. On the contrary prominently included in the follow-up action, which the Reagan administration is planning in the aftermath of Versailles is the early launching of consultations on providing teeth to the formula, such as it is, for the US and its allies practising restraint in their trade with the Soviet Bloc.

Mitterand's Reaction

It is perhaps as an anticipated manoeuvre against this programmed pressure from the Americans that President Mitterand too has lost no time in coming out in the open to resist the concept of placing East-West trade in quarantine. His strident declaration that France will reject efforts by the Reagan administration to enlist Western Europe in a campaign of economic warfare against the Soviet Union has effectively reopened the issue in a way which the US may not have been prepared for even after the ethereal fragility of such consensus that there had been in Versailles a week earlier.

Compounding the problems which the Americans must expect to be having with the Europeans and the Japanese in this area is the delay in the US President reconsidering his decision which has prohibited US firms from associating with the fabrication of components for the Siberian gas pipeline for which West European Governments have made commitments with the Soviet Union or the Sakhalin oil-and-gas drilling project in the USSR in which Japan has invested heavily. Tokyo, Bonn, Paris and even London are getting restive, especially as Moscow, seizing what it sees as an opportunity to force the issue, has delivered what could be an ultimatum that the contracts will be treated as having been broken by the other side if the fabrication of the equipment needed for the projects, which call for critical items such as turbines of American or American-licensed manufacture, is not taken in hand without further loss of time.

Inappropriate Time

It was clear from the beginning, of course, that the Reagan administration had chosen a singularly inappropriate point in time for a cold war in the trade area. The idealogical confrontation and the arms race of the Reagan rhetoric have been frightening enough, in the nuclear context, without their being reinforced by the highly adventurous thesis that the Soviet economic model has become so worm-eaten from inside that it is sure to fold up if compelled to trade with the West on a cash-and-carry basis. This is not to say that Western Europe or Japan, or, indeed, other countries outside the Soviet Bloc are blind to the grave problems the USSR or most of the Eeast European countries are beset with. Only, most of them are not reassured by any historic precedent that economic blockades of whatever description could alter the military or political balance as dramatically as Defence Secretary Weinberger has been advising his President that it will. With so much that is uncertain with the Reagan thesis on East-West Trade, the West Europeans and the Japanese are chary of courting the breakdown in their political relations with the Soviet Union which is far less uncertain to occur should they practise any kind of economic boycott which Moscow may treat as a hostile act.

The second most important constraint on the potential of the Reagan approach to East-West trade is that the high unemployment rates, soft domestic economies and the instability which is threatening the international trading system in so many ways, including fast emerging trends towards protectionim, the shrinking surpluses of OPEC economies and the uncertainties of concessional development assistance for financing the imports of Third World countries, which have also been hit by depressed terms of trade, have combined to make industrial economies extremely nervous about deliberately damaging their trade with the Communist Bloc.

Important Constraint

It is possible that, in some cases, such as that of West Germany, the East-West trade may not be a major factor in the external sector, but even the US, which is certainly even less dependent on trade with the Soviet bloc, has found that, in critical areas of commerce, the Soviet Union is not expendable as an export market. This has been amply demonstrated by the continuing US-Soviet grain trade, which is trapped in the plain economic reality that US agriculture needs Soviet consumers as much as the Soviet bread-basket needs American wheat. Right now, grain elevators in this country, about to be congested with a new peak in winter wheat production, are clamouring to relieve themselves in the half-empty barns of the USSR confronted with yet another set-back to its harvest. There is certainly not enough political courage in the Republican Party to prompt its man in the White House to respond to the taunt of the West Europeans and the Japanese that, to the Reagan administration, the anti-Soviet economic crusade stops where the American farmer's buck is.

Finally, the trading partners of the United States are also asking why it is so unwilling to practise, if need be a little bit altruism in its dealings with its trading partners when it expects them to make sacrifices in what it considers a common cause. There is, for instance, the continuous arm-twstiing of Japan which is
pressurised to practise "'voluntar
traint" in exports after exports in
noble cause of making the American
ket safe for non-competitive or less a
sive American merchandise. Recentl
US imposed import quotas on sug
protect unconscionably high-cost d
tic growers at a time when the
market is groaning under a glut and
countries for which sugar is a staple e
are facing abrupt impoverishment.
time ago, the visiting President
Brazil was told by President R
that the US Congress and not the e
tive branch was to be blamed for
import quotas, although the fact
that it was the President's men wh
ensured the passage of the don
price support legislation by tradi
support for the measure for the vo
southern Congressmen for the
dential budget package. Treasury
retary Regan was rather more h
when, a few days ago, he said
shamefacedly that he hoped tha
sugar mess could be cleared up whe
price support legislation lapsed
year. This, however, must be poor
fort for the Government in the Domi
Republic which is threatened by a
tical crisis following the collaps
sugar prices.

Meanwhile Commerce Secretary

Malayan Railway Modernisation

MALAYSIA'S MALAYAN Railway
undertake a modernisation progra
that is expected to take 10-15 yea
complete.

The programme involves conver
of the present metre-gauge single-
track into a wide double-track, an
extensive switch to electric trains f
the present diesel-powered ones.

The scheme also involves
doubling of the present 1,740
railway track and a proposed new
Coast line.

The modernisation programme
involve the laying of about 800 km
the double-track line for the No
South Network and another 800
for the new East Coast line.

e or Chief Trade Representative, Brock, does not hesitate to strike lier-than-thou attitude when castigat- the Japanese for seeking to protect handkerchief-size economy of citrus production in their greatly circum- ed farm sector. It is probably because ne generally perceived double stan- s of US commercial policy, against h India has its specific grievances, there seems to be so little sympathy the entirely justifiable US move to against the dumping of steel by cer- West European countries and Mexico. is in spite of the fact that the Reagan inistration has duly gone through tatutory procedures mandated for rmining whether American law or TT codes have been violated by the ign trade practices under challenge.

itain's Trade Surplus

AIN'S VISIBLE exports are showing t strength. Big overseas trade nce was registered during March for econd month in succession.

ne current account of the UK nce of payments is estimated to have n a £331 million surplus in March, pared with £264 million in February. ne March balance, £222 million was unted for by trade in goods—the favourable balance on direct trade ar this year. Exports during the th were valued at £4,584 million nst imports totalling £4,362 million.

e rest of the current-account nce was provided by invisible exports, an estimated balance for the month 09 million. There was a large sur- on transations of the private sector public corporations which more than t a deficit on Government transac- ..

itain's exports in March were higher 150 million compared with Febru- despite a drop of £150 million in oil overseas. Exports of semi-manu- res, especially chemicals and food drink items, were particularly strong arch.

e latest figures, the British Secretary of State for Trade, Lord Cockfield feels, reflect a fundamental improvement in Britain's trading position and shows that the UK is becoming even more competitive in world markets.

Is West German Policy Truly Independent ?

AGAINST THE background of a policy of monetary ease that was initiated last fall, a new attitude has recently emerged in West Germany. After acting to reduce domestic interest rates on four separate occasions, West German monetary authorities have announced that West Germany has gained a "measure of independence....uncoupling, to a very great extent" interest rates in West Germany from those in the United States. In the light of the European criticism of high UT interest rates voiced at the economic summit in Versailles, this new attitude of West German independence is truly enigmatic. Has West Germany, indeed, succeeded in reducing domestic interest rates without undermining the mark against the dollar ? Or, alternatively, are the West Germans merely attempting to provide assurance to the market, anticipating potential criticism of their stimulative policies ?

The West German authorities began relaxing their stance on monetary policy last October, after the dollar had weakened from its summer high. During the following five months, as official interest rates in West Germany were lowered further and spreads favouring the dollar widened, the mark weakened—at times, substantially. For example, during the first quarter of 1982, the mark, at one point, had depreciated almost 10 per cent against the dollar, relative to its position when the West German easing began. From this perspective, it is difficult to perceive the West German independence. It becomes even more difficult in the light of the fact that US interest rates, on average, have not risen since the West German reflationary policy began. It fact, the widening of Eurocurrency spreads, favouring the dollar, reflects the expansionary West German policy.

As long as financial capital is freely mobile, the economics of international capital markets precludes independence of a country's domestic interest-rate policy. However, to say that monetary policies are not independent is not to say that exchange rates always follow interest-rate differentials. A major shift in market sentiment regarding relative inflation differentials can cause a realignment of exchange rates in relation to relative market interest-rate spreads. As an example, while interest differentials favouring the dollar have shrunk significantly since 1980, the dollar has appreciated over 20 per cent against the mark. The key seems to be a greater improvement in the US inflation compared with West Germany's.

Taking all this into account, the statements of West German independence are merely attempts to assure the market that the recent expansionary monetary policy will not further confirm the assessment of a weaker mark relative to the dollar over the long run.

—*Chase International Finance*

Giant Thermal Plants in the USSR

THE SOVIET energy experts are planning to build several thermal electric power plants with a capacity of four million kilowatts each not far from the Ekibastuz coal fields (Kazakhstan). Leningrad-based manufucturers have already begun to build 500,000-kilowatt turbines and generators for the proposed plants.

Coal reserves in the Ekibastuz basin are estimated at 12 billion tons. What is more, coal is found at shallow depths permitting low-cost strip-mining. Fuel extracted there will be supplied to the thermal power plants, and the electric power produced by them will be delivered to the European part of the country through a 1,500-kilovolt DC power transmission line. Estimates show that the cost of electric power at the user's end of the more than 2,000-kilometre-long transmission line will be notably lower than that of electric power generated by thermal power plants in the European part of the USSR which have to use coal transported from other regions.

Modern equipment will be used to extract coal and utilise it in the power generating industry. Boilers and turbines to be installed at the proposed stations have been vastly modernised. Each power generating set will need 10,000 tons of fuel which is less than the previously used similar equipment to generate the same amount of electricity.

Similar provisions are being made with respect to another major coal deposits, the Kansk-Achinsk fields in southern Siberia. Coal extracted there will also be burnt by local power generating plants and electricity will be subsequently supplied to the European part of the Soviet Union.

Taking Czechoslovakia to the Sea

As A land-locked country, the Czechoslovak Socialist Republic is spending about $70 million annually on transport, in both ways, between the Czechoslovak borders and foreign sea ports, and the expenditures are continuously rising. Efforts to put Czechoslovakia on an equal footing with littoral countries, in terms of law, technically and economically, gave rise to the original idea of building a railway tunnel running from the southern border of Czechoslovakia to the Adriatic coast, by which Czechoslovakia would gain the economically important position of a maritime country.

The plan to build a tunnel from Czechoslovakia to the Adriatic coast has been approved by the Federal Ministry for Technical Development and Investments as an improvement suggestion, whereby the project design has become national property and as such is administered by the Pragoprojekt and consulting institute in Prague.

The idea of replacing the missing natural link with the sea by tunnel is original and very important for the economic development of Czechoslovakia. It is a realistic project which can be accomplished with the help of modern technology. The tunnel to lead along a straight line from Ceske Budejovice in the south of Bohemia via Linz and Klagenfurt in Austria to the town of Koper on the Yugoslav coast should be 350 km long. The whole journey would take about two hours. Automatic trains with passengers and freight would travel at a speed of 200 km/h. The line would not be exposed to natural or climatic effects. A great part of the tunnel would pass through the Austrian Alps, which are the main obstacle to transport from Czechoslovakia to the Adriatic coast. The deepest point would be 2,200 metres below the peaks of the Alpine massif. The tunnel would have three parts: a line for transport to the sea port, a line for transport from the sea port and a maintenance line between them. The possibility is being considered of conveying desalinated sea water to sothern Bohemia through the tunnel by pipeline.

With the use of modern technology the actual construction of the tunnel would not be more difficult than, for example, that of the tunnel in the English Channel, a project agreed by France and Britain. The specialists presume that if work on project documentation started in 1986, the first train from Czechoslovakia to the Adriatic coast could pass through the tunnel in the year 2020.

Prefab Grain Silos

STEEL PLATE circular storage bins provide low-cost grain storage in units which can be made gas-tight to control insect infestation. The safeway silo patented bin, based on a structural system of solid steel plate, is marketed by Consultants Network, an Australian undertaking.

The steel plate is about 8mm (0.3 in) thick for the lowest 2m (6.4 ft), topped by walls of heavy duty 1 mm (0.03 in) fully galvanised corrugated sheet steel. The sheets are flush riveted to help maintain hygiene.

If the silos are located near the sea, the wall sheets are protected by precoated laminated vinyl. Silo capacities range from 100 tonnes to 30,000 tonnes. The larger the storage bin, the lower its cost in relation to most other steel concrete silos.

In order to control insects in the gr by fumigation, gas-tightness is achie by sealing the roof and walling with g tight sealing or by placing a membra under the roof above the stored grain.

Grain is normally recovered by incl ed augur but alternative means can provided. The silos are designed resist cyclonic wind pressures when em ty and to avoid unequal grain pressu resulting from recovering grain oth than by gravity. They are claimed to particularly strong, light-weight a durable.

Motor Bike as Portabl Power Unit

AN ADAPTOR fitted to a motor cyc magneto enables anything from a ha drill to a water pump to be driven c the motor cycle's engine.

An Australian concern, E.L. Sly marketing a power take-off kit whi can provide power quickly and cheap —at rest or on the move—anywhere motor cycle can be driven. The pow take-off can work from any motor bi of 100 cc capacity or greater, and c be adapted to smaller bikes. Its spe depends on adjustment of the engi idle screw.

A slotted cylindrical extension nut fitted to the magneto-rotor. The ma neto cover is fitted with a water, oil an dustproof seal and a metal cover to e sure the extension is safe and the ma neto is protected. Modification to th magneto does not interfere with norm operation. The cover can be remove and equipment attached or detached i less than a minute. A flexible drive or pump can be attached to the rotating extension, which will turn at a select engine speed.

At 2800-3000 rpm the unit will delive sufficient power for such things as drillin grinding, pumping and sheep-shearing The working range lies largely betwee 2500 rmp and 5000 rmp. The pump equipped with a pressure adjustable reli valve, can pump water, diesel fuel, petrol or insecticide.

Spices : An Overview

Dr Badar Alam Iqbal

Though India's export earnings from spices have gone up nine-fold since 1960-61, the author, who is associated with the Faculty of Commerce, Aligarh Muslim University, feels fhat there is vast scope for further expansion. Attention needs to be concentrated on productivity because there are limitations on the expansion of area under spices cultivation. There is need for publicity to be given to new varieties and uses of spices abroad.

DIAN SPICES have for long been famous
r their fine quality and the demand for
em has gone up considerably in the
orld markets. India produces and ex-
rts almost all the known spices—
pper, cardamom, chillies, ginger, tur-
eric, coriander, fennel, aniseed and
any others.

India is the world's largest producer
d exporter of turmeric. However,
arly five per cent of the country's total
tput is exported. India is also the major
orld producer and exporter of carda-
om, followed by Gautamala, Sri Lanka
d Tanzania. India, China and Taiwan
e the major suppliers of dry ginger to
e world markets. In pepper, India comes
xt to Indonesia. In chillies, although
dia continued to be the world's major
oducer and exporter, its exports have
clined considerably in recent years.

India's total output of major spices has shown a considerable rise in recent years. While the output of important spices such as cardamom has gone up due to more acreage brought under them, that of others like pepper has improved largely due to higher productivity. Turmeric is another important spice the production of which has gone up discernibly though its unit-area yield declined during the second half of the seventies.

In view of the vast export potential for high quality spices and limitations in bringing more acreage under them, it is vital that productivity of major spices is improved to raise their output. Table I shows the trends in area, production and productivity of major spices between 1960-61 and 1978-79.

Data set out in Table I reveal that the area under pepper has gone up to 1,12,000 hectares in 1978-79 from 1,02,000 hectares in 1960-61—a rise of nearly nine per cent. Total production has risen from 28,300 tonnes in 1960-61 to 34,400 tonnes in 1978-79, an increase of more than 21 per cent. Productivity per hectare has, thus, gone up during this pericd by more than 11 per cent from 275 kgs to 307 kgs. Like wise total area under cardamom cultivation had gone up to 91,500 hectares in 1978-79 from 55,700 hectares in 1960-61, indicating an overall increase of more than 64 per cent, while the output went up by more than 21 per cent, i.e. from 3,300 tonnes to 4,000 tonnes. Consequently the yield per hectare has declined by about 34 per cent. The area under chillies increased from 66,700 hectares to 80,500 hectares i.e., by 51 per cent. The output went up by more than 69 per cent—from 37,600 tonnes to 63,800 tonnes. The yield per hectare went up to 792 kgs from 506 kgs—by more had 56 per cent. Total acreage under ginger increased from 19,000 hectares to 34,000 hectares, by nearly 71 per cent, while production went up by 294 per cent from 17,000 tonnes to 67,200 tonnes. The yield doubled from 900 kgs to 1959 kgs. The

TABLE I

Area, Production and Productivity of Major Spices from 1960-61 to 1978-79

A: Area 000 Hectares P: Production 000 Tonnes Y: Yield Kg/Hect

Year	Pepper			Cardamom			Chillies			Ginger			Turmeric		
	A	P	Y	A	P	Y	A	P	Y	A	P	Y	A	P	Y
960-61	102.0	28.3	275	55.7	3.3	59	667	376	506	19.0	17.2	900	N.A.	N.A.	N.A.
962-63	102.0	26.1	256	57.4	3.4	59	638	425	667	21.3	19.6	920	55.0	105.0	1909
965-66	102.2	23.3	228	55.3	2.0	36	651	383	588	21.8	21.5	986	66.8	127.8	1910
970-71	120.0	26.2	218	75.4	3.2	42	783	520	664	21.6	29.6	1370	80.6	150.7	1869
975-76	111.9	25.6	229	82.2	2.3	32	739	526	711	27.2	45.2	1661	71.8	136.2	1883
976-77	114.3	31.6	276	91.5	2.4	26	781	419	537	25.7	43.4	1688	66.8	109.7	1642
977-78	112.0	34.0	304	91.5	3.9	43	790	543	687	36.0	71.7	1991	75.5	126.3	1668
978-79	112.0	34.4	307	91.5	4.0	44	805	638	792	34.3	67.2	1959	82.2	146.8	1785

Source: Directorate of Spices Development, Calicut.

acreage under turmeric increased from 55,000 hectares in 1962-63 to 82,200 hectares in 1978-79, i.e. by 49 per cent The output went up by 40 per cent from 105,000 tonnes to 147,000 tonnes. The yield per hectares, therefore suffered a set back from 1909 kgs to 1785 kgs per hectare. The main factors responsible for such marked declines in the level of productivity in the case of some spices are inadequate information on scientific and improved techniques of cultivation, processing, storage and inadequate use of manures.

Mixed Trend

From the foregoing analysis, it emerges that the rate of growth in area has been the highest in ginger (4 per cent per annum) followed by cardamom (3.5 per cent), chillies (2.8 per cent) and turmeric (2.7 per cent). Pepper has had the lowest growth rate of 0.6 per cent per annum. Similarly, the growth rate of output of ginger was 16.4 per cent per annum, of chillies 3.8 per cent, turmeric 2.2 per cent, cardamom 1.1 per cent and pepper 1.1 per cent. Likewise, the growth rate of productivity has been the highest in ginger (6.5 per cent per annum), followed by chillies (3.1 per cent). The growth rate of productivity has been negative in the case of turmeric, pepper and cardamom. The Central as well as the concerned State Governments ought to take immediate steps on the production front if India wants to remain the leading exporter of spices.

Unlike other agricultural commodities, spices can be cultivated only under specific weather conditions. For instance, pepper and cardamom are cultivated mainly in Kerala, Karnataka and Tamil Nadu. These States are blessed with adequate rainfall and equable temperature which is a vital factor for the robust growth of the plants. States receiving moderate rainfall are more suitable for the cultivation of chillies, which are produced in such States as Andhra Pradesh, Maharashtra, Karnataka and Tamil Nadu. Turmeric and ginger, of course, are grown in almost all States. Table II shows Statewise area and production of major spices crops in India in 1978-79.

TABLE II

State-wise Area, Production of Major Spices in India in 1978-79

A=Area: 000 Hectar
P=Prod: 000 Tonn

State	Pepper		Cardamom		Chillies		Ginger		Turmer	
	A	P	A	P	A	P	A	G	A	
Kerala	108.3	25.1	51.7	1.4	2.8	2.5	10.2	31.0	3.7	3
Karnataka	3.4	0.9	40.4	2.7	138.7	43.8	—	—	1.5	4
Tamil Nadu	0.3	0.1	5.4	0.5	91.3	185.2	—	—	8.8	31
Andhra Pradesh	—	—	—	—	140.2	175.0	—	—	22.4	56
Maharashtra	—	—	—	—	149.2	76.1	—	—	9.2	15
Meghalaya	—	—	—	—	—	—	4.2	12.2	1.4	1
Orissa	—	—	—	—	66.7	33.2	3.5	2.5	20.7	15
West Bengal	—	—	—	—	20.6	18.3	2.4	3.4	—	
All India	112.0	26.1	97.5	4.6	805.6	637.9	34.3	67.1	82.2	146

Source : Agricultural Situation of India, Jan-Feb, 198

TABLE III

Export and Unit Value of Spices 1950-51 to 1979-80

Year	Quantity Exported ('000 Tonnes)	Value Earned (Rs. in Crores)	Unit value of Export Rs/kg
1950-51	37.1	25.5	6.9
1960-61	47.2	16.6	3.5
1965-66	62.2	23.1	3.7
1970-71	48.0	38.8	8.1
1975-76	61.9	72.7	11.7
1976-77	60.9	75.9	12.5
1977-78	81.2	141.9	17.5
1978-79	99.9	160.2	16.0
1979-80	110.7	165.2	14.9

Source: Directorate of Spices Development, Calic

India is one of the important traditional exporters of spices in the world. After a strident rise in 1977-78 and a moderaite one in 1978-79, the total value of spices exports went up to Rs 165 crores, or by only 3.1 per cent in 1979-80. The main reason for this is slow growth in the exports of pepper and cardamom. Table III shows the trends in the exports and value of spices between 1950-51 and 1979-80. Table IV gives the details about exports of individual spices.

It is evident from Table III that India's total exports of spices went up from 37,100 in 1950-51 to 1,10,700 tonnes in 1979-80. Total export earnings however went up more marked from Rs 25.5 crores to Rs 165.2 crores. This was because of prices appreciation desp occasional setbacks.

India produces about 25 to 30 cent of the global pepper output of lakh tonnes, of which 75 per cent is ported annually. However, the countr relative share in world export of pepp which was 80 per cent 20 years ago, l come down considerably. Now it con titutes only a quarter of the world ports of over Rs 160 crores. India l lost several pepper markets abroad other leading exporting countries su as Indonesia, Malaysia and Brazil. Pe per exports got stimulus during the s ties because of the sudden increase world consumption. The emergence st European countries and the USSR the major importers of Indian pepper e further boost to these exports. In 50-61, pepper exports were only to tune of Rs 10.0 crores. They went to Rs 16.2 crores in 1969-70. Since n exports have shown large fluctuan. The quantity exported increased idually from 15,400 to 22,200 tonnes 1969-70 and again come down to 000 tonnes in 1972-73, though there s a considerable recovery to nearly 000 tonnes in 1973-74. This proved ortlived. Thereafter, exports declined nsiderably to nearly 21,000 tonnes in 76-77. But in 1977-78 the quantity ported again went up to nearly 25,000 nnes to decline again sharply to ,300 tonnes in 1978-79.

Wide Variations

The value earned from pepper exports owed sharp variations between 1969- and 1978-79. After decreasing from 16.2 crores in 1969-70 to Rs 14.3 ores in 1972-73, the value earned more an doubled in the following year. In bsequent years, the value of exports aintained a steady upward trend despite the fall in the quantity exported. is was due to the sharp rise in the ices of pepper in the world markets.

Export earnings from all spices went by more than 841 per cent from Rs .6 crores in 1960-61 to Rs 160.1 crores 1978-79, while earnings from pepper ports showed a rise of 180 per cent om Rs 10 crores to Rs 28 crores during e same period. But its share has me down to around 17 per cent in 78-79 from nearly 59 per cent in 1960-. This may be attributed to the higher te of growth in export earnings in the se of some other spices as cardamom.

The principal buyers of Indian pepper e the USA, the USSR, Italy, Canada, ugoslavia, Poland and Czechoslovakia. xports to the USA have been decreasing nce the late sixties. The USSR has in cent years become the most important stination for Indian pepper and is one the few markets to which exports ave shown a rising trend. Exports to anada and Italy have declined considerably in recent years. In the case Poland, Yugoslavia and Czechoslovakia, there has been a rising trend. As for the other markets, export to most of them are insignificant, not showing any tendency to rise.

Cardamom is the most important foreign exchange earner among Indian spices. The value of cardamom exports amounted to Rs 59 crores in 1978-79. In absolute terms, the quantity exported went up from 2,000 tonnes to 2,900 tonnes in 1979-80 over 1960-61. It is interesting to note that the value earned has shown arising trend since 1960-61 and reached an all-time peak of Rs 59 crores in 1978-79.

A sharp rise in the export price of cardamom, i.e. from Rs 18 per kg in 1960-61 to Rs 198 per kg in 1979-80, indicates an overall rise of more than 1000 per cent. India exported 2,000 tonnes in 1960-61 which earned Rs 3.6 crores in value. The figures are 2,900 tonnes and Rs 59 crores respectively for 1979-80. More than the quantity, it is the increase in unit value that has pushed up India's export earnings. Recently the Government lowered the export duty on cardamom from Rs 15 per kg to Rs 5 per kg. In 1960-61 the relative share of cardamom in India's total exports of spices was more than 21 per cent, while in 1978-79 if went up to nearly 37 per cent.

Indian cardamom is exported to nearly 30 countries of the world. The main importing countries are Kuwait, Saudi Arabia, Bahrain, Japan, Qatar, Dubai, Iran, the GDR and Muscat. Of these countries, Kuwait alone buys 44 per cent of the total Indian cardamom export. Saudi Arabia is the second biggest importer of Indian cardamom, accounting for more than 29 per cent, followed by Bahrain (5 per cent), Japan (3 per cent) Qatar (3 per cent) and Iran (2 per cent).

India's total export earnings from all commodities went up from Rs 660 crores in 1960-61 to Rs 5725 crores in 1978-79, indicating a rise of more than 767 per cent, while those from spices showed a rise of more than 841 per cent, i.e. from Rs 16.6 crores to Rs 160 crores. The share of spices in India's total exports went up marginally during this period from 2.6 per cent to 3 per cent.

In spite of the lack of large-scale efforts to promote the country's spices in several world markets, the prospects for the different individual spices are also still bright as evident from the phenome-

TABLE IV

Pattern of Spices Exports 1960-61 and 1978-79

(Rs in crores)

Year	Pepper	Cardamom	Chillies	Ginger	Turmeric	Total
1960-61	10.0	3.6	1.0	0.8	—	16.6
1966-67	12.0	4.0	2.0	1.2	1.3	22.2
1969-70	16.2	9.0	1.0	1.2	3.6	34.5
1972-73	14.3	7.0	0.4	2.1	1.8	30.6
1975-76	33.8	19.5	3.2	4.1	4.2	72.7
1976-77	38.3	13.0	2.7	5.8	4.5	76.0
1977-78	50.0	46.0	6.1	13.7	8.3	141.8
1978-79	28.0	58.6	29.3	12.8	11.0	160.1
% increase or decrease	180.0	1833.0	2800.0	1100.0	746.0	841.0
% Share in 1960-61	58.8	21.0	6.0	4.8	5.8	100.0
% Share in 1978-79	17.5	37.0	18.2	8.1	7.0	100.0

Source : Same as Table I.

nal growth is exports in recent years. Though India exports spices to about 60 countries of the world, the main importers are the west Asian countries, the USSR, the USA and some of the European countries. Table V gives the direction of exports of spices from India.

Kuwait has now emerged as the largest importer of Indian spices, accounting for 15 per cent of our exports. The USSR and Saudi Arabia come next. The USA holds the third position followed by Japan, Singapore and the UK. This shift in exports destinationwise has been a healthy development.

The other minor spices which are exported from India are curry powder, coriander an cumin seeds. The exports of these minor spices during 1969-70 were around Rs 2.63 crores, Rs 10 lakhs and Rs 11 lakhs respectively. During 1978-79, they were of the order of Rs 2.24 crores, Rs 4.8 crores and Rs 3.1 crores.

From the foregoing analysis it emerges that the exports of spices offer bright prospects provided both the Central and the concerned State Governments pay adequate attention to the development of spices in general and pepper in particular. The attention should be more on the productivity front. Inadequate output of these spieces is the major problem in export which has led to high prices of these spices in the country, which, in turn, is reflected in the export market. An important constraint on increasing production is the control of diseases. The respective Boards and Development Councils should come forward and play a positive role in this direction.

Another aspect which requires attention is the fluctuation in the unit-value of these spices in the international market. Attempts should, therefore, be made at least by the major exporters to come to an agreement about prices and regulate supplies of spices. There is an urg
need on the part of these countries
take to buffer stock operation. If t
prices at least in the USA market, which
considered to be the arbiter of the wor
prices, could be kept stable, it wou
have a stimulating effect on the produ
tion and the export of these commoditi
There has been no lack of markets
even now nearly one-third of the dema
for them in the world market remai
unsatisfied, and it has been estimat
that this gap between supply and dema
would widen. Our exports in such ci
cumstances can be increased conside
ably if we have the required produ
tion at competitive prices.

Adequate propaganda and publicit
needs to be given to the new varieties an
uses of spices grown in India. Th
different uses of the spices are not ver
well knownabroad.

Need for Export Promotion

Dr O. P. Maurya

The author suggests a careful study and analysis of the trends of demand of India's manufactures in world markets and close examination of multilateral trade negotiations. He advises joint ventures with such countries as Japan. He also stresses the promotion of tourist industry which is a good foreign exchange earner. The author is Deputy Director in the Directorate General of Employment and Training but this article does not necessarily reflect the views of that organisation.

THE WHOLE pattern of world trade is undergoing very perceptible and significant changes. New directions to world trade are being given and are in the offing. Recently, exports of India have undergone a major change in respect of value, composition as well as direction.

For the first time in the post-Independence era, surplus in foreign trade was achieved in 1972-73 and later in 1976-77. But we experienced massive deficits aggregating to over Rs 18,700 crores in 1974-75, 1975-76, 1977-78, 1978-79, 1979-80, 1980-81 and 1981-82. Our exports have no doubt increased from Rs 400 crores in 1947 to Rs 7,700 crores (estimated) in 1981-82, but in terms of US dollars they have increased from $1.2 billion to over $7 billion. India's foreign exchange reserves (excluding gold and SDRs), which had improved remarkably from Rs 611 crores at the end of March, 1975, to Rs 5,220 crores by the end of March, 1979, slid back to touch the level of Rs 4,610 crores by the end of March, 1981. The oil crisis and global inflation, which came in the wake of the devaluation of the dollar and the collapse of the Bretton Woods Agreement on the fixed exchange rates greatly aggravated the balance of payment crisis. The continued heavy reliance on petroleum products as a source of energy is indeed inevitable. During 1980-81 our imports rose by over 36 per cent. This was the result of hike in world crude prices. India imported in that year crude and petroleum products worth Rs 5,500 crores. The imports of fertiliser rose sharply from Rs 411 crores in 1978-79 to Rs 653 crores in 1980-81. Edible o
import also increased from Rs 430 crore
in 1979-80 to Rs 568 crores in 1980-81.

A study of trends in major items c
India's export shows that the sluggishnes
in total export growth in 1980-81 wa
due mainly to a sharp decline in th
export volume of tea, sugar, oilcake
spices and jute. Exports of leather an
leather products declined from Rs 51
crores in 1979-80 to Rs 376 crores i
1980-81. Readymade garments also fetc
good quantum of foreign exchange. W
are exporting garments mainly to th
UK, the USA, West Germany, th
Benelux countries, Sweden, Austria
France, Australia, Italy, etc. Exports o
garments rose from Rs 8 crores in 197
to Rs 370 crores in 1980. Of the tota
export of garments, about 60 per cen
was to the USA, the UK and Wes
Germany. The value of garment, jem
and jewellery exports was of the orde
of Rs 1,039 crores in 1980-81. Export
of Indian engineering goods have also
registered an eight-fold increase in the
Seventies. Exports of cashew kernels too
showed an upward trend recording an
increase of four per cent in 1980-81 over

9-80. The table below shows India's nce of trade.

is necessary to carefully study and lyse the trend of India's products and nufactures which have positive de- nd from international buyers and to sely follow the course of the multi- eral trade negotiations with them. This ls for detailed market surveys of the ached and unattached international yers for their demands of various items India's products and manufactures. should explore joint production nues. The necessity of production operation specially in the context of ateral trade and our economic rela- ns with the USSR and other East ropean countries (i.e., GDR, Czecho- vakia, Poland, Hungary, Rumania and lgaria) is of paramount significance. pan is the largest buyer of our iron- e.

India's Balance of Trade

(Rs crores)

ar	Export	Import	Gap
4-75	3,329	4,519	— 1199
5-76	4,043	5,265	— 1222
6-77	5,146	5,074	+ 72
7-78	5,404	6,025	— 621
8-79	5,555	7,398	— 1843
9-80	6,459	9,022	— 2563
0-81	6,709	12,465	— 5756
1-82	7,700	13,200	— 5500

rce : Data computed from various reports of the Reserve Bank of India and DGCI &S.

n many labour-intensive areas of ermediate technology including gar- nts, leather goods, sports goods and gineering goods, our country can ntly venture to take up trade with pan. Saudia Arabia, Kuwait, Qatar, United Arab Emirates, Muscat-Oman ve little agricultural base. Cement, e, sugar, spices, tea, coffee, cocoa and tiles have been our traditional exports to these countries. Trade with Iran and Iraq also needs be augmented. Production of jute, mesta, tea, coffee, cocoa, cashewnuts, cardamom, etc. should be increased and surpluses of these commodities should be created for exports. The EEC which is the biggest market for textile exports of the developing countries may negotiate 28 bilateral agreements and the new Multi-Fibre Agreement (MFA), which will remain in operation till July 1986 from the beginning of 1982 will regulate an estimated $100 billion annual trade in textiles and clothing of 51 nations. India should export textiles and clothing to western countries under MFA.

Very recently, the scope of Open General Licensing (OGL) was expanded to cover a wide range of raw materials and components, iron and steel items and items of capital goods required by users and also many items of common use. Products of these items should be accelerated at a rate more than at present. Tourism is an important area of earning foreign exchange. Countries like Ireland, Spain, Turkey, Iraq, Indonesia, Mauritius, Thailand, Austria, Italy and Greece attract very large number of tourists and are able to balance their large trade deficit by earning foreign exchange. India should give a great deal of weightage to tourism industry. Hotels and motels, fully modernised, also need be built on places of tourist interest in the country. With the rising of industrial production and economic growth, investment hardly remains beyond physical possibilities.

Wherever possible, foreign exchange reserves should be spent on imports of technology and machinery so as to make an export units competitive in world markets on an enduring basis. Acceleration of production of steel, iron-ore, cement, etc. needs special care. Production of fertilizers also needs to be augmented and efforts should be made to create surplus of fertilisers for export. Propaganda of India's products and manufactures must be made in the larger trading and commercial centres in different countries of the world so as to attract the foreigners to our products and manufactures.

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Growth of Selected Auto Parts

FLYWHEEL MAGNETOS

THERE ARE at present three units licensed to manufacture flywheel magnetos with a total capacity of 360,000 numbers. The total installed capacity, however, is estimated at less than 200,000. In addition to independent units manufacturing flywheel magnetos, some vehicle manufacturers also manufacture magnetos themselves. The production of flywheel magnetos by the independent units during the last three years has been as under :

1976-77	124,000
1977-78	103,000
1978-79	100,000

Separate figures of import of flywheel magnetos are not available. However, it is estimated that by and large the requirements are met through indigenous sources. The main raw materials required for the manufacture of magnetos are aluminium alloy, magnets, winding and wire, etc.

The demand for magnetos arises from manufacturers of two-wheelers and small petrol engines for agricultural applications. Having regard to the increase in the production of two-wheelers, it is estimated that the demand for magnetos by 1983-84 would be approximately 685,000. There is, therefore, scope for the creation of fresh capacity. Proposals for foreign collaboration are also being considered on merits.

Fly Wheel Magnetos Manufacturers:

1. M/s Escorts Ltd, Tej Bldg., Bahadur Shah Zajar Marg, New Delhi, Unit in Karnataka.

2. M/s Jaya Hind Industries Ltd, Akurdi, Poona

3. M/s Usha Telehoist Ltd, 14 Princep Street, Calcutta.

4. M/s Prestolite of India Ltd, 16/4, Main Mathura Road, Faridabad. (Haryana).

FLY WHEEL RING GEARS

There are at present two units licensed to manufacture flywheel ring gears with a total capacity of 302,000 numbers. The installed capacity, however, is estimated at 250,000. In addition to independent units, these items are alse manufactured by vehicle manufacturers to a substantial extent.

Production of flywheel ring gears for the past three years by the independent units has been as under :

1976-77	128,000
1977-78	125,000
1978-79	138,000

Separate figures of import of flywheel ring gears are not available. However, it is estimated that by and large the requirements are met through indigenous sources. The main raw material required for the manufacture of flywheel ring gears is alloy steel.

The demand for flywheel ring gears arises from original equipment manufacturers and replacement requirements. It is estimated that based upon present production and anticipated growth rate, requirement of flywheel ring gears by 1982-83 would be 430,000. The existing capacity would be insufficient to meet the future requirements. Therefore, there is scope for creating fresh capacity.

THIN WALL BEARINGS

There are at present five units licensed to manufacture bimetal bearings with a total licensed capacity of 32 million numbers. Of the five units, four units
are implementing expansion of capa
granted to them. In addition, letters
intent have been issued to three firms
a total capacity of 15.82 million. Th
letters of intent are yet to be imp
mented.

The production of bimetal bearings
the last three years has been as under

1976-77	10.780 milli
1977-78	13.566 milli
1978-79	10.000 milli

Although, exact figures of import a
not available it is estimated that the i
port of bimetal bearings is taking pla
to the tune of four million numbers p
annum. The import is due to nonava
ability of bearings from the indigeno
manufacturers. The main raw materia
required are bimetal strips, alloy powde
etc.

The demand for bimetal bearin
arises from original equipment man
facturers and replacement market. It
estimated that based upon present pr
duction and the anticipated growth, t
requirement of bimetal bearings by 198
84 would be 36 million. The existi
capacity already installed and addition
capacity approved would normally
sufficient to meet the requirements
1983-84.

**Manufacturers of Thin Walled Bearing
Bushing and Washers :**

1. M/s Kirlosker Oil Engines Lt
Huzur Garders, Sembiam, Madras.

2. M/s Bimetal Bearings Ltd, Huz
Garders, Sembiam, Madras.

3. M/s Gleitalger (India) Ltd, Man
Mansion, 16, Shahid Bhagat Singh Roa
Bombay.

Anomalies in Rural Reconstruction

al Development in India : Edited by T. Mathew ; Agricole Publishing Academy, New Delhi ; Pp 199; Price Rs 100.

nce Corporations—A Study of 'Unregularted Banks' : C.P.S. Nayar; Institute or Financial Management & Research, Madras; Pp. 121; Price Rs 45.

ce and Detente—Foreign Policy of Social Democratic Party of Germany : Dev Asopa; Sopan Publishing House, New Delhi; Pp. 250; Price Rs 50.

Dynamics of a Tradition—Kasturbhai Lalbhai and His Entrepreneurship : Diwijiendra Tripathi; Manohar Publications; New Delhi ; Pp 243; Price Rs 80.

nges in Agrarian Structure in India : H. Laxminarayan and S. S. Tyagi : Agrical Publishing Academy, New Delhi; Pp 163; Price Rs 70.

ign Resources and Development in India : Kalipada Deb; Heritage Publishers, New Delhi; Pp 276; Price Rs 90.

FIFTEEN papers included in *Rural elopment in India* were presented at tional seminar on rural develop- t held at the North-Eastern Hill versity in 1978.

ural poverty and rural reconstruc- are much discussed issues in India. yet the problem has so many facets it is impossible to exhaust the ect. That lends significance to e of the specially written articles in volume.

hether the Chinese model of rural nstruction would be suitable to a is a debatable point. But what not be disputed is that the remark- Chinese achievements in rural nstruction have been made possible result of major changes in produc- relations in rural areas.

The Contradictions

Parthasarathy has maintained that tever strategy one may ultimately pt, Marxist, Gandhian or Institu- alist, "the contradictions between objectives of rural development and existing structure of production ionships are too strong to be red."

of Sau has drawn attention to some ne major bottlenecks of growth in l areas such as the absolute supre- y of the kulaks, acute unemploy- t, low wage rates and the fact that ensity of cropping varies inversely farm size".

e has suggested a few policy mea- s such as "setting up of norms of yield and employment per acre in each homogeneous area and rewarding those who exceed the norms and penalising those who do not, even though they have the resources to achieve them." To Prof Sau it appears that "the problems of unemployment and poverty cannot be solved without a fundamental transformation of society itself." However his remedial measures are in the form of a compromise because, according to him, "one does not wait till the day the fundamental social transformation arrives; one has to work for it within the present system."

BOOKS BRIEFLY

C.T. Kurian has given an incisive account of changes, both autonomous and policy-induced, that have taken place in rural Tamil Nadu during the period 1950-75 in land ownership, in asset distribution, in agricultural prices, wages and pattern of consumption and in agricultural transformation. His analysis shows that "the policy measures to boost production have been quite successful. But the measures enacted to bring about a structural change in the rural areas have not had much of an impact."

Professors Mathew Kurian and P.N. Varughese have highlighted various aspects of socio-economic system prevalent in the North-Eastern region of India. They think that the approach to problems of rural development in that region has to be different from that for the rest of the country. They rightly think that mere provision of financial resources for agricultural and industrial development in rural areas in that region will not be adequate to realise the objective. Centuries old neglect and consequent backwardness of the people of the region can be removed only by multi-dimensional developmental strategy for that region. The authors have laid emphasis on participatory role of the people for their socio-economic transformation. That alone will guarantee success of planning for development.

Argument Refuted

A.V. Jose has refuted the argument that "the development of Indian agriculture with the help of new technology has resulted in higher real wages for agricultural labourers. According to him, "the empirical evidence seems to highlight the opposite phenomenon."

Dr Saikia, Dr Phukan and L. Kharmih have revealed that there is a lack of integrated approach to tackle the problem of North-East region of India, there is a lack of proper study of economic conditions and needs of the people there; and there is a lack of imagination and foresight in the implementation of various schemes in that region.

The articles in this volume while highlighting the most obvious problems of rural development do not however exhaust the treatment of the vast area of rural reconstruction and development. The editor, for example, has admitted that problems of rural industrialisation without which comprehensive rural reconstruction cannot come about, have not found a place in these articles, nor problems of appropriate technology which are also of vital significance for rural reconstruction and development.

In spite of these omissions which

are intentional and are to be covered in a subsequent volume, the few vital aspects that have been analysed provide readers ample insight into the vast dimension of the rural problem and into the multidimensional approach necessary to solve them.

Even as one reads this volume, there is a lingering feeling that most of what is said in these articles has already been said and what is needed is dedicated and determined implementation of by now well-known rural reconstruction programmes.

FINANCE CORPORATIONS

The Institute for Financial Management and Research, Madras, has been from its inception conducting research on important financial aspects of the Indian economy. One such aspect is the structure and functioning of informal credit structure which along with indigenous bankers and chit funds makes up finance corporations. This study is about 'finance corporations'.

'Finance corporation' is an intermediary which makes profit from the business of lending money raised through deposits and borrowings from the public. These finance corporations which are predominant in South India are either individual proprietorship, partnership or public or private limited companies. They put in a small volume of their own capital while a major portion of their funds comes out of deposits from the public. Almost the entire volume of funds at the disposal of these finance corporations is lent at high rates of interest. These institutions retain the profit or absorb losses.

The Banking Commission of 1971 has referred to these financial bodies as 'the Bangalore type finance corporations' which in effect function as 'unregulated banks'. They are known by different names in different parts of the country (as for example, financing company, trust investment corporation, benefit corporation, finance syndicate etc, etc.)

Finance Corporations—A Study of 'Unregulated Banks' is confined to South India which, according to the author, accounts for about 90 per cent of total number of finance corporations in the country. At the end of March 1980, their deposits were estimated at around Rs 620 crores and loans given at around Rs 610 crores. In South India finance corporations have mobilised about 10 per cent of deposits of commercial banks in that area and lent about 12 per cent of total advances of commercial banks.

Businessmen find finance corporation loans attractive because they meet their actual requirements and no amount is left idle as is likely in the case of commercial bank loans which are to be negotiated well in advance for a fixed sum. The fact that interest is calculated on daily basis on the outstanding amount of loan and that funds are available instantly are added attractions, especially to those who do not want to reveal business secrets to commercial banks.

Depositors prefer keeping money with finance corporations because of higher rates of interest. Nevertheless it is observed that only a limited number of depositors accept high risk for the sake of higher rates of interest.

Reduced Costs

Since deposit rates and lending rates are determined by competition, the only way to maximise profits is by keeping administrative and servicing costs to the minimum. Finance corporations have achieved significant cost advantage over transaction costs of commercial banks. Thus it is observed that administrative expenses formed only 1.94 per cent of deposits as against 3.5 per cent in the case of commercial banks. Despite higher deposit rates, profit as a percentage of deposits is higher in the case of finance corporations compared to commercial banks. This is due to much higher ratio of earnings to deposits of the corporations.

As finance corporations depend upon personal contacts rather than on legal obligations as is done by banks, the study found that bad debts in the case of finance corporations formed only "a minute percentage of total loans as compared to loans given by banks. "Also, as cost of borrowing from banks is lower, there is little urgency in making rep ment. This is because "Nominal inte rates when exceeded by rate of inflat actually reward borrowers who de repayment." In the case of fina corporations, borrowers are quick make repayments due to higher inte rates charged on outstanding debts.

It should be noted that loss due to b debts and expenditure on litigation absorbed by finance corporations and not passed on to depositors or bo rowers.

Certain Weaknesses

Finance corporations are found suffer from certain weaknesses. Depo tors have little security. There is no w of knowing how these corporations a managed. Any run on them may easi lead to their liquidation. They do n enjoy facility of refinance from instit tions like the Reserve Bank.

As finance corporations play an impo tant financial role in both urban ar rural areas especially by helping tho clients who find access to an organise money market difficult or impossibl instead of legally closing down the institutions, the author has suggeste their regulation by the Reserve Bank. I this connection, he has suggested ste such as their licensing, prescribir minimum of own funds and maximum deposit liabilities, and periodical inspe tion by the Reserve Bank. In retur these corporations should get, accordir to the author, refinance facilities fro the Reserve Bank and their deposi should be covered by the Deposit Insu rance Corporation. Of course, th author has emphasised that self-discip line would be an ideal way of regulatio and that should be rigorously practised in spite of the above legal impositions.

It is strange that neither the Bankin Commission nor the Reserve Bank ha so far undertaken any systematic stud of finance corporations which constitut an important part of unorganised mone market in the country. They have bee playing useful role especially in helpin those for whom organised financial sec tor is not accessible due to one or an other reason. This detailed study ha ccessfully filled the lacuna in our bank- literature and has also shown the y these financial institutions should be egrated with the organised sector of Indian money market.

PEACE & DETENTE

Dev Asopa has been specialising in the dy of West German political develop- nts having visited that country a mber of times for the purpose. The id and extremely readable book *Peace d Detente--Foreign Policy of the Social mocratic Party of Germany* is the fruit this specialisation.

rom 1870 onwards Germany has left deep impress on the history of Europe d the world. During the last quarter the 19th century, it used to be said t a smile of German Chancellor Bis- rck used to produce a sense of relief d assurance in Paris, Rome, Vienna d St. Petersberg, while his frown used send waves of anxiety and fear in ose capitals.

The German scene changed radi- lly a century later. In 1970s Willy andt and Schmidt were able to inspire nfidence and goodwill both in Europe d all over the world. If Bismarck ssessed enormous political and military wer, West Germany of Helmut Sch- dt, the Social Democrat, possesses ormous economic power. If late 19th ntury Europe looked to Bismarck for tlement of political disputes, it looked Bonn of West Germany for removal economic ills of Western Europe. If 1871 Bismarck gave Germany the tus of a nation, Willy Brandt won a ntury later world wide respect for West rmany. Bismarck's policy of blood d iron gave place to policy of construc- e cooperation and peace by the Social mocratic Party of West Germany.

The Social Democratic Party, initially political party championing the cause working class and violent revolution, ally emerged in 1959 as the people's rty. In the place of earlier Marxian ogramme, the reformed Social Demo- atic Party came to be founded on a eral programme based on humanism d the classical traditions of Western rope. The former slogan "Peace, eedom, and Socialism" came to be replaced by "Peace, Freedom, Social Welfare and International Understanding".

The Social Democratic Party being in favour of peace pleaded for 'United States of Europe' to avoid traditional wars among west European States. The aim of the party has been partly realised in the shape of 'European Parliament' established in 1979.

Though it is true that 'the economic miracle', in West Germany was achieved mainly by the Christian Democratic Government under the leadership of Adenauer and Erhard, according to the author, the constructive contribution of the Social Democratic Party in this regard must not be underestimated. In fact, it was this party that made West Germany "a locomotive of European economy and a paymaster of Europe."

It needs to be noted that in spite of close cooperation between Bonn and Washington and West Germany's membership of NATO, the Social Democratic Party reached an understanding with the Soviet Union. This was possible because of the leadership of Willy Brandt and Helmut Schmidt. It was this bridge-building that brought the Noble Peace Prize to Willy Brandt in 1971.

Developing countries need to take note of the fact that Social Democrats and more especially Willy Brandt have goodwill for them. According to Willy Brandt, "Solidarity within the nation.. should be made to stretch beyond national boundaries to accommodate all of humanity." With this end in view, Willy Brandt in his report entitled 'North-South—A Programme For Survival' made recommendations for resolving North-South conflicts in a spirit of peace and friendship.

In recent years India and West Germany are drawing closer in matters of economic collaboration and therefore this book should be of interest to Indian readers.

KASTURBHAI LALBHAI

In India entrepreneurial history has not so far received the attention which the significance of the subject deserves. Naturally the empirical base necessary for understanding managerial dynamics is weak and unsatisfactory.

According to Dwijiendra Tripathi, the author, *The Dynamics of a Tradition—Kasturbhai Lalbhai and His Entrepreneurship* is an attempt to understand both historically and contemporaneously the growth of one of the leading business groups in the country and development of entrepreneurial abilities of the leading light of that industrial group, namely Kasturbhai Lalbhai.

Max Weber, a German sociologist, attributed the slow growth of modern business enterprises in India to "the so-called negative elements of Hinduism". He however maintained that "the Jain ethics contained a truly great propelling force for business and economic achievement". According to him, the Christian Protestant ethics of hard work, frugality and simplicity were the root cause of rise of capitalist enterprise in the Western world and values associated with Jainism approximated to those of the Protestantism. Weber's hypothesis stands justified by Kasturbhai's success in business due to his commitment to Jain values.

Jain Values

Being a Jain, Jain values had considerable influence on Kasturbhai's life and work. His commitment to frugality, hard work, integrity and fair play throughout his business career is a testimony to this fact and so is his refusal to start a brewery, in spite of high profit potential of that business.

We find that the first phase of Kasturbhai's industrial career was marked by expansion of his textile manufacturing business in Gujarat, notably in Ahmedabad. The First World War gave him unexpected opportunity in this respect. Profits earned during that war augmented his financial strength and confidence in his own ability to manage manufacturing establishments.

Kasturbhai's expansion programme showed his attachment to the joint family system. It was the primary motive behind the establishment of a number of textile mills in Ahmedabad. Perhaps, according to the author, a hidden desire behind the expansion scheme was to put his family at the top of the business life of the city and thus bring the civic leadership back to the family which long ago had occupied that position.

Gradually Kasturbhai achieved a certain measure of social standing and national attention through his participation in public life. He got involved in activities of the Central Legislative Assembly and the Federation of Indian Chambers of Commerce and Industry. This brought him in close contact with influential personalities of business and political world. In course of time, Kasturbhai's name began to be mentioned along with names such as Tatas, Birlas and Shri Rams. After 1930s he was definitely looking upon himself and his activities from a wider perspective and not from purely a local angle.

But Kasturbhai's industrial ventures and his vision remained confined, unlike those of Tatas and Birlas, to Gujarat. Possibly, according to the author, such an attitude of Kasturbhai was due to traditions inherited from his forefathers who in their managerial style placed great emphasis on personal supervision of business activities by owner-managers. It also needs to be noted that during the active days of Kasturbhai, the organisation and management theorists were yet to make any significant impact on Indian managerial structure and practices.

We find that Kasturbhai's name was always mentioned with veneration, though he lacked "vision of J.N. Tata, the expansive aggressiveness of G.D. Birla, the acquisitive zeal of Lala Shri Ram, and technical expertise of Laxmanrao Kirloskar."

It is a well written biography. Historical literature such as this one provides us with broader perspective and deeper understanding of the business world.

AGRARIAN CHANGES

Dr H. Laxminarayan and S.S. Tyagi have made an attempt in *Changes in Agrarian Structure in India* to analyse the basic features of this change both at national and State levels, on the basis of data collected from various rounds of National Sample Survey, from Agricultural Census and some other sources.

According to the authors, the prevailing agricultural structure is characterised by decrease in average size of agricultural holdings, increase in number of small and marginal holdings as a consequence of decrease in concentration of landholdings, sharp increase in the number of agricultural labour households, difficulties in the way of rural poor in respect of getting institutional credit, and increasing deterioration in the condition of tenants as increasing number of them are being brought under the system of share-cropping which is generally characterised by informal agreements.

According to the authors, their review has indicated that implementation of various land reform schemes has not been satisfactory and various objectives enunciated in Five Year Plans have remained mostly unfulfilled. According to them, reasons for this state of affairs are absence of political will, lack of motivation on the part bureaucracy which is entrusted with the task of implementation, existence of numerous loopholes in land reform acts, and unfavourable demographic factors. Relatively greater success attained in this sphere in West Bengal, Kerala and Karnataka shows that it should be possible to implement some of the programmes, in spite of above mentioned limitations.

Exploitation Unabated

In zamindari areas, in spite of abolition of the zamindari system, exploitation of rural poor by zamindars by various means continues unabated. It is unfortunnte that in spite of land reform measures meant to secure fixity of tenure and fair rents to tenants, their position has become more insecure than before. These measures have disturbed the traditional lease arrangements without providing a suitable alternative system.

As regards inter-State variations in types of tenancy, it is observed that cropsharing tenancy predominates in the cereal-growing areas, while cash rent tenancy predominates in those areas where cash crops like cotton, tobacco and oilseeds are grown on a large scale. Fixed crop tenancy predominates in areas which grow coconut and paddy. Apart from different crops, according to the authors, inter-State variations in tenancy
are influenced by factors such as hi
rical traditions and extent of risk invol
in a particular enterprise and so on.
on the whole, according to the auth
with the passage of time, area un
cropsharing tenancy is increasing, wh
area under cash rent is going down

As regards leasing in and leasing o
the authors observed that it is not o
big farmers who lease out land but ev
small farmers do that due to factors li
shortage of resources, availability
more attractive alternative employme
opportunities and so on.

Uneven Distribution

As regards asset structure, it is o
served that assets held by cultivati
households are not evenly distributed
proportion to area cultivated by the
Often small holdings possess assets o
of proportion to area cultivated by the
while the share of large holdings in a
sets held by them is much less than t
area cultivated by them.

In most States, livestock accounted f
more than 60 per cent of total assets he
by cultivating households. While t
value of assets held shows significant co
relation with irrigated area, size of hol
ings does not appear to have any sign
ficant impact on the value of assets hel
by cultivating households.

The book contains considerable amou
of information regarding various aspec
of agricultural structure and land hol
ing in India, both at the macro an
micro levels. While reading the boo
one repeatedly becomes conscious of th
fact that while some reformers and polic
makers have a correct perception regard
ing how land problems in India shoul
be solved, generally it is the lack of pol
tical will that is obstructing effective im
plementation of hordes of land refor
acts passed since Independence. Does i
mean that unless the power structure i
the country and especially in rural area
is completely altered, land problems wi
not be solved? This raises a more funda
mental question. Would those who con
stitute the power-structure in India will
ingly surrender their power? Would thi
objective be achieved through a demo
cratic process? Or would violent mean

come necessary and inevitable to bring out necessary alterations in the power- ructure in the country?

FOREIGN RESOURCES

The post-Second World War period saw e emergence of a number of inde- mdent countries all struggling through ncerted and planned efforts to remove ss poverty and bring about economic ogress long denied to them by their lonial masters who had ruled over em for centuries.

The newly independent nations like dia were confronted by an environ- nt created and dominated by western de of thinking and institutions. Though ced to give political independence to ir former colonies, the western coun- es by employing various devices such foreign aid, technical collaborations, nomic and military alliances and ough their giant multinational cor- rations had determined to exploit the wly independent countries for their fish purposes. Days of economic im- ialism unlike its counterpart in the h century has assumed a new and re subtle outward form.

oreign Resources and Development ndia has tried to show how foreign and technical collaborations and h other devices have resulted in mis- ected efforts of developing countries, listortion of their priorities and their reasing economic dependence on wes- donor countries.

he study, according to the author, ased on two major premises. One is all policies, programmes and their ievements are to be judged on the is of whether and to what extent they e been able to secure the greatest d of the greatest number. And se- d, the author has kept in view the of national interests.

he author's analysis has proceeded ng the following lines. The develop- countries which are making efforts develop their economies find them- es at present in a situation totally rent from the one faced by the deve- d countries when trying to develop economies during the 18th and centuries. Being brought up under tern influence, the class of people who came to power after independence happened to be blind followers of Western mode of thinking and pattern of development which consequently neglected the interests of the masses. Foreign aid, technical collaborations, techniques of production that came to be adopted, priorities that were fixed and the role that is allowed to multinational corporations in India have all, according to the author, resulted in a neglect of interests of masses, in inefficiency, corruption and enormous wastage of resources.

Rural reconstruction affecting nearly 70 per cent of India's population, land reforms and increased agricultural productivity, irrigation and credit to small farmers received scant attention. In those areas where capitalist agricultural development resulted in a sort of green revolution, the benefits have mostly gone to the rural elite.

The strategy adopted for industrial development with an emphasis on capital intensive technique of production in a labour-abundant country like India has resulted neither in the creation of rapidly increasing employment opportunities nor in the production of goods of mass consumption.

Neglected Infrastructure

Again, according to the author, the pattern of infrastructure development which neglected rural electrification, rural roads and other means of communications, primary and rural adult education, supply of drinking water, rural housing and widening of rural markets has resulted in enormous benefits only to top urban classes.

The author has tried to show how it was foreign aid and multinational corporations that mainly determined the strategy and pattern of economic development in India.

The author has written his thesis feelingly and with apparent conviction. But one doubts whether he has not often taken an extremely one-sided view of India's economic development since independence. The benefits of development, even granting that the strategy of development was wrong, have percolated to broad masses of people, at least to some extent. For example, in some States one hundred percent villages have already been electrified. Also, it must be admitted that foreign aid and multinational corporations, even with their selfish objectives and policies, have directly or indirectly conferred at least some benefits upon broader sections of India's population. The author's treatment of the subject appears to be more emotional than objective. And yet who can deny that there is much truth in what the author has written about the role of foreign aid and multinational corporations?

Books Received

Liberalisation of Industrial Policy: K.V. Iyer: Industrial Consultant, D1/14, Bharatinagar, Near Sujan Singh Park, New Delhi-110 003; Pp 64; Price Rs 16.

Towards a Political Economy of Urbanisation in Third World Countries: Helen I. Safa; Oxford University Press, 2/11 Ansari Road, Daryaganj, New Delhi-110 002; Pp 315; Price Rs 45.

Towards a Theory of Import Subsititution, Exchange Rates and Economic Development: Vinay Bharat-Ram; Oxford University Press, New Delhi-110 002; Pp 190; Price Rs 120.

Palanpur—The Economy of an Indian Village: C.J. Bliss and N.H. Stern; Oxford University Press, New Delhi-110 002; Pp 340; Price Rs 160.

Economic Appraisal of Irrigation Projects in India: Basawan Singh & Ramesh Bhatia; Agricole Publishing Academy, D-76 Panchsheel Enclave, New Delhi-110 017; Pp 487; Price Rs 200/$40.

North-Eastern Hill Regions of India—Problems and Prospects of Development: T. Mathew; Agricole Publishing Academy, New Delhi-110 017.

Rural Development and Local Organisation : Norman T. Uphoff; Macmillan India, 4, Community Centre, Naraina Industrial Area Phase I, New Delhi-110 028; Pp 549; Price Rs 120.

Project Appraisal Technique: R.L. Pitale; Oxford & IBH, 66 Janpath, New Delhi -110 001; Pp 350; Price Rs 75.

Review of Planning in India and the Sixth Plan: D.M. Mithani; Vora & Co. Publishers Private Ltd., 3 Round Building, Bombay-2; Pp 112; Price Rs 20.

STATE OF THE ECONOMY

Rice Bran Extractions Export

THE GOVERNMENT of India has slashed the release of rice bran extractions for export in 1982-83. It has earmarked four lakh tonnes for this year, as against 5.82 lakh tonnes for last year.

Although the demand for the commodity in the world market is brisk and Indian shippers can sell up to one million tonnes the Government has cut down the release ostensibly to meet domestic need.

Rice bran extractions have emerged as a good foreign exchange earner in the past few years. The exports have progressively increased from 2.03 lakh tonnes in 1975-76 to 5.60 lakh tonnes in 1981-82.

In the year 1981-82 the ceiling of 5.25 lakh tonnes was imposed for the first time. For the year 1981-82 also a ceiling of 5.82 lakh tonnes was fixed. Now for the year 1982-83 the ceiling has been lowered to four lakh tonnes.

The lowering of ceiling has, however, come as a shock to the exporters who were looking forward to push the exports further up. Since there is no shortage of supplies in the country, the exporters fail to understand the logic behind restricting the exports.

A spokesman of the solvent extraction industry said that they could contribute enough rice bran oil to meet the need of soap industry provided the Government encouraged the exports of rice bran extractions. The industry produced 1.40 lakh tonnes of rice bran oil in 1981-82, resulting in replacement of non-edible and imported oils used by the soap industry. The effort made by the industry in the direction of import substitution is very substantial and significant. The soap industry, a few years back was primarily depending for its requirement of hard fats on imported mutton tallow. Today hardened rice bran oil has more or less totally replaced mutton tallow, thus saving valuable foreign exchange of over Rs 100 crore.

Council for Castor Oil Derivatives

The Indian Institute of Foreign Trade (IIFT) has recommended the formation of a council for the promotion of castor oil derivations both at home and abroad.

The proposed council should be charged with the responsibility of cooperating with the International Castor Oil Association and other relevant bodies, publish informative bulletins and promote lectures at international congresses.

These recommendations have been made by the institute following a market survey which was conducted recently on castor oil derivatives in the US, West Germany, France, the Netherlands and the UK. According to the survey, efforts are afoot in India and elsewhere to raise the yield of castor oil per hectare for bringing down the prices.

In India the prices of all vegetable oils are considerably higher than on the international market. Increased castor oil production will not bring down the prices. This could happen only if the prices of all vegetable oils come down to the international level. This is likely to take a long time.

The institute has, however, suggested a way out. It explains that the State Trading Corporation (STC) could purchase a ton of coconut oil, for example, on the world market at $500 per tonne. It could then swap it with one tonne of castor oil obtained from a crusher at prevailing prices at home. The STC could export the oils and gain normal profit. The crusher could resell the coconut oil at the domestic prices of $2000 per tonne. The excess could be used to subsidise castor oil used in the manufacture of derivatives.

NAFED

The turnover of the National Agricultural Cooperative Marketing Federation (NAFED) is likely to cross Rs 200-crore during the 1981-82 cooperative year (July-June). During 1980-81 the federation made a profit of Rs 2.37 crore against the loss of Rs 53.22 lakh sustained in the previous year.

According to a NAFED press release, the federation's turnover rose by 11 per cent to Rs 189.13 crore in 1980-81. But the internal operations received a set back mainly due to reasons beyond the federation's control. However, international operations registered a growth of 133 per cent.

In domestic operations the turnover declined to Rs 73.84 crore from Rs 123.02-crore in 1979-80, thus registering a fall of 40 per cent. This drop was mainly owing to the fact that NAFED was not required to undertake price support operations in soyabean as in the past few years or marketing of groundnut.

Other commodities handled by NAFED like pulses, cotton and processed fruits recorded a marginal rise in business. Over 47,000 tonnes of pulses valued at Rs 14.88 crore were marketed.

The release notes that the federation's export turnover rose to Rs 112.77 crore during the year as against only Rs 45.73 crore in 1979-80. The major share of exports was on account of HPS groundnuts and onions.

About 50,000 tonnes of groundnuts and 1.72 lakh tonnes of onions wer
ported during the year
ports of non-basmati rice
of the order of 65,389 t
valued at Rs 16.45 cror

Duty on Cotton Fab

The Union Governn
reduced, with immediat
fect, the excise duty on
ton fabrics in which the
rage count of yarn is bet
41s and 50s.

The cut has been effe
to encourage the textile
dustry to go in for fine sp
ing of cotton through e
tive use of long staple va
ties.

The announcement said
the Government decided
revise downward the e
tive rates of excise dutie
respect of cotton fabrics
ing under sub-item I of i
19 of the Central Ex
Tariff Schedule in which
average count of yarn is
ween 41s and 50s.

These fabrics would now
liable to excise duty at r
varying from two per cen
15 per cent ad valorem (b
excise plus additional ex
in lieu of sales tax) depend
on the value of the fab
instead of the flat rate of
per cent ad valorem in fo
till now.

Cotton fabrics in which
average count of yarn is
or more will, however, c
tinue to attract excise duty
the rate of 15 per cent
valorem, the press note
ded.

Rebate on Handloom Cloth

The Union Government
made a provision of Rs
crore towards special reb
which is given on sale
handloom cloth for the curr
financial year. The Cen
has been permitting the St
Governments to grant a s
cial rebate of 20 per cent
retail sales to be equa
shared. This rebate serves
an incentive to the consu
for purchasing more
more handloom cloth.

Last year, the scope of
scheme was extended so as

ɛr the wholesale sales as , with a reduced rate of ite of 15 per cent which is equally shared by the Cen-and State Governments. An ount of Rs 6.88 crore was ased for this scheme by the tre for that year. Against , a provision of Rs 4 crore been made for this year, ording to the Commerce iistry.

or arranging procurement distribution of yarn and er material, the National dloom Development Cor-ation is expected to start tioning in due course. It also expected to render keting and developmental stance to the handloom ustry. A provision of Rs lakh has been made in 2-83 for providing parti-tion by the Central ernment.

ntral Warehousing rporation

he Central Warehousing poration (CWC) has re-led a 21 per cent increase its profits—from Rs 7.4 e in 1980-81 to Rs 9 crore 981-82. The corporation's nover increased by 17.5 cent over the previous . The turnover, which d at Rs 21.7 crore in 1980-went up to Rs 25.5 crore 981-82.

he CWC also recorded a per cent increase in the nber of warehouses over previous year. The cor-ation's warehouses num-d 340 in 1981-82 compar-o 319 in 1980-81 and 292 979-80.

he capacity of the CWC, ch was 34.389 lakh tonnes 1979-80 and 36.637 lakh nes in 1980-81, touched 4 lakh tonnes in the last ncial year. This represented ncrease of 11 per cent in year.

olesale Price Index

he official wholesale price ex for all commodities se 1970-71=100) main-ed its rise for the seventh cessive week and stood at .6 (provisional) during the week ended June 12 against 282.1 (provisional) for the previous week. The rise was 0.9 per cent compared to the previous week. The index for the corresponding week a year ago was 277.4.

The annual rate of inflation worked out at 1.9 per cent as against 13.1 per cent during the same week last year. For the third successive week, the rate of inflation has gone up.

Causing the appreciation in the index were increase in the indices for food articles 1.4 per cent, non-food articles one per cent, food products 3.4 per cent and textiles 0.3 per cent.

Thermal Power Unit Near Delhi

The National Thermal Power Corporation (NTPC), has proposed establishment of an additional thermal power station near Delhi to meet its growing energy requirements.

According to the NTPC Chairman, Mr A.K. Sah, there is sufficient power generation from the existing thermal stations feeding the capital to meet its entire demand. But it did not have spinning reserves to meet the situations created by forced outages at various plants. The additional thermal power plant would provide the spinning reserves or load support for the other power stations.

Mr Sah said that currently there is surplus power in the entire northern region owing to the widespread rains of the past few days. At a high level meeting held in the Energy Ministry recently, it has been decided to transmit surplus power available in other States to Rajasthan which is currently facing a shortage.

The NTPC Chairman who was addressing a Rotary Club (Delhi Central) meeting on "Power Programme and NTPC", said that the present power cuts in Delhi were not on account of shortage of power generating capacity.

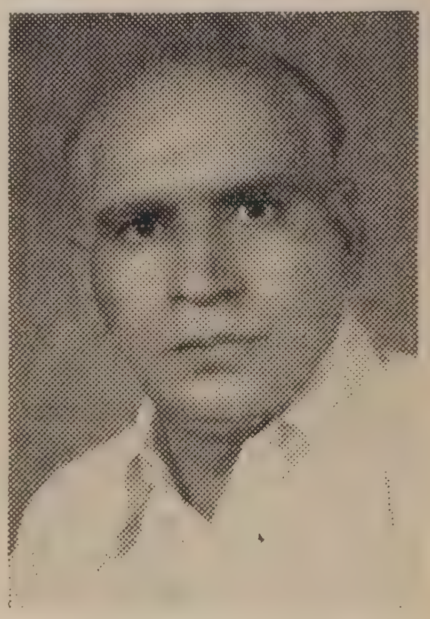
Sugar Output

According to the Indian Sugar Mills Association, sugar production during the first fortnight of May, 1982 (i.e. May 1, 1982 to May 15, 1982) was about 451,000 tonnes as against 60,000 tonnes during the corresponding period last year. This brings the total production till May 15, 1982 for the season 1981-82 to 75,87,000 tonnes as against 50,20,000 tonnes during the corresponding period last season. The off-take of sugar from factories during the first fortnight of May, 1982 was about 196,000 tonnes for internal consumption and nil for exports as against 208,000 tonnes for internal consumption and nil for exports during the same fortnight last season. The total off-take till May 15, 1982 was about 29,93,000 tonnes for internal consumption and 208,000 tonnes for exports as against 27,97,000 tonnes for internal consumption and 60,000 tonnes for exports during the corresponding period last season.

The total closing stock of sugar with the factories as on May 15, 1982 was 51,65,000 tonnes as against 27,60,000 tonnes on the same date last season.

Names in the News

Mr B.L. Bhatia, Managing Director of Pratap Advertising Agency, New Delhi, has been elected President of the National Council of Advertising Agencies.



Mr B.L. Bhatia

Department of Space
ISRO::SHAR CENTRE
Sriharikota PO 524124

Advt. No. PT/84/82, Head, Purchase & Stores, SHAR Centre, Sriharikota invites sealed tenders for the following:

1. File No. PC/20121/82: Fabrication, supply, erection, testing and commissioning of Tilting Fixture for tilting of cylindrical specimens of 3.2M dia and 3.4M long and weighing around 50T from horizontal to vertical and vice versa with Hydraulic Sytem OR Bull Gear System as per our specifications. 1 No
2. File No. PO/20110/82: Design, fabrication, testing and supply of 60 Tonne payload capacity low bed Semi-Trailer having load platform size 6 Metre length x 4 Metre width and loading height shall be as minimum as possible but not exceeding 1200 mm as per our specilifications. 1 No.
3. File No. PA/10137/82: Portable Oscilloscopes
   Band width : 25MHz
   Input impedance : 1M ohm 11 20 pF 2 Nos
4. File No. PV/15163/82: Design, Supply, installation and commissing of Carbondioxide extinguishing system. 1 Set
5. File No. PV/15164/82: Design, supply, installation and commissioning of IR fire detection system. 1 Set

Tender documents giving full specifications of the above items can be had from Head, Purchase & Stores, SHAR Centre, Sriharikota PO 524124, Nellore Dist (AP) on request by sending a crossed DEMAND DRAFT worth Rs. 20/- for each item on STATE BANK OF INDIA, Sriharikota favouring 'Accounts Officer, SHAR Centre'. Tender fee should be in the form of DD only and no other mode of payment will be accepted. Please mention our file reference while asking for tender documents.

Last date for receipt of sealed tenders is 13.8.1982 by 1400 hours and the tenders will be opened on the same day at 1500 hours. Due date will not be extended further under any circumstances. We reserve the right to accept or reject any or all tenders without assigning any reasons therefor.

davp 643(50)/82

COMPANY AFFAIRS

Gwalior Rayon to Enter Market

Gwalior Rayon is entering the market on July 14 with fully underwritten public issues of 625,000 bonds for Rs 10 crore. Announcing this at a press conference recently, the company's Senior Joint President, said it had already reserved fully secured convertible bonds worth Rs 20 crore for both equity shareholders and company Directors/employees (Rs 12.5 crore) and non-resident Indians (Rs 7.5 crore).

The proceeds of these bonds would finance the company's diversification, modernisation and expansion programmes now underway.

The company's major diversification would be the setting up of a Rs 80 crore cement project with an annual production of one million tonnes at Jawad in Madhya Pradesh. This would go on stream within thirty months of the date of execution.

The company, which is the largest manufacturer of viscose staple fibre in the whole of South East Asia, has exported from its engineering division the indigenously manufactured rayon plants and equipment to both South Korea and Indonesia on a turn-key basis. It has entered into joint collaborations with Indonesia for a viscose fibre project and with the Philippines for a viscose fibre and carbon black project. It has also entered global tender for the supply of a complete range of rayon plant and equipment on turn-key basis to the Philippines.

Kothari Electronics

Kothari Electronics and Industries Ltd (KEIL), Madras, is now embarking on a project for the manufacture of 50 million metallised plastic film capacitors in box configuration and AC polypropylene capacitors.

KEIL's plant is being put up at Hosur in Tamil Nadu in collaboration with Plessey Italia, world leaders in the manufacture of capacitors. The collaborator has entered into a buy-back arrangement for one-third of the production during the first five years.

The cost of the project is envisaged at Rs 12 crore to be financed through share capital of Rs 2.89 crore, foreign exchange loans of Rs 4.5 crore, term loans of Rs 4.07 crore and internal accruals of Rs 0.54 crores.

The company is proposing to issue rights shares in the ratio of two to one immediately. These shares would be entitled prorata dividend for the current year which, barring unforeseen circumstances, the company hopes to declare. Being a private issue the company is not directly inviting the public to participate in this new venture, but such rights as are renounced would be available for the company's friends and well-wishers.

Electra (India)

With a view to meet listing requirements of stocks exchanges and also to augment the working capital of the company, Electra (India) Ltd, a running concern entered the capital market on June 23. with a public issue of 750,000 equity shares of Rs 10 each at par.

The company is now manufacturing distribution as well as power transformers as per national and international standards upto 5000 kva in 33 kv class, laminations and pressed steel radiators.

The company has been doing well since last four years with sales increasing from Rs 315,92 lakh in 1978 to Rs 835.1 lakh in 1981 and gross profit from Rs 55.33 lakh to Rs 196.17 lakh. It has raised the equity dividend from 10 per cent to 12 per cent during the period and also issued bonus shares thrice during last six years.

Bihar Caustic

Bihar Caustic and Chemicals Ltd, promoted by Bihar State Industrial and Investment Development Corporation (BSIIDC) and some of the companies belonging to Birla group, is making headway in setting up a caustic soda plant with a daily capacity of 100 tonnes at Palamou in Bihar.

The capital outlay on the project is estimated at Rs 23.50 crore and the financial arrangements are being tied up.

Of the equity capital of Rs 7.80 crore, Gwalior Rayon, Hindustan Aluminium and Pilani Investment (Birla group) will be subscribing to the tune of Rs 202.80 lakh and BSIDC will be investing Rs 1.95 crore in shares. The balance of the capital amounting to Rs 382.20 lakh is to be offered for public subscription in September this year.

Fulford (India)

With the completion of the Indianisation process, Fulford (India) proposes to implement expansion-cum-diversification programmes during the course of next few years.

Disclosing this at the annual general meeting of the company in Bombay, Mr R.A. Shah, Chairman, said that in line with the Government policy, the company was currently examining some projects to manufacture bulk drugs. During the current year, the company has introduced Garamycin eye/ear drops successfully. The company is also planning to introduce two new products, one being Betamethasone, a bulk a drug.

Referring to current
working, Mr Shah
that sales during the
five months were 14 per
more than the sales fo
same period in 1981. Its
ducts were well accepte
the medical profession
there was good demand
them.

The profitability of
company, however may
affected by the present t
of cost increases resultin
higher cost of product
The Government's pre
drug pricing policy gives
consideration to these fac
and their effect on profitabi

Kohinoor Knitting

Kohinoor Knitting M
Ltd will soon be ente
the capital market with
issue of 197,600 equity sh
of Rs 10 each of which 77,
shares have been reser
for Directors and busi
associates. The balance
120,000 shares are to
offered for public subsc
tion.

The company, registe
with the Registrar of Co
panies,'West Bengal, propo
to take over the well est
lished business of Kohin
Knitting Mills, the manuf
turer of 'Kohinoor' brand
hosiery goods. The exist
unit is fitted with machin
of latest technology.

The Directors believe t
with the immediate ta
over of a running manuf
turing unit, there will be
gestation period and, the
fore, favourable results
be safely expected. Turno
in the very first year is exp
ted to be Rs 250 lakh.

The Directors believe th
there is a huge untapped
port market for hosiery pr
ducts and barring unforese
circumstances, the compa
hopes to be a pioneer in th
field.

BASF (India) to Expand

BASF (India) Ltd is plan
ing a Rs 7-crore expansi
programme at its Thane fa
tory in Maharashtra for a
ditional capacities of Basali
an effective herbicide. T

ansion programme would include creation of capa- es for Bavistin, a broad ctrum weedicide, Calixin, systemic fungicide and ocin, a plant growth regu- :.

t present Madhya Pra- h and Haryana are offer- subsidies to farmers for purchase of Basalin for in soyabean and rice cul- tion.

lcast Steels

Welcast Steels has repor- encouraging results for year ended March 1982 1 the Directors have pro- sed a higher equity divi- d of 15 per cent (subject financial institutions con- t) as against 10 per cent iden dividend paid last r.

During the year, sales have n from Rs 1.57 crore to 3.13 crore and gross pro- from Rs 19.92 lakh to 36.10 lakh. A sum of Rs 0 lakh (Rs 44 lakh) has n provided for deprecia- n. After providing Rs 6 lakh for taxation, the profit is worked out at 24.74 lakh.

hindra Ugine to Diversity

With a view to diversify- its activities, Mahindra ine Steel Company pro- ses to enter into the shipp- industry.

Disclosing this at the an- l general meeting of the npany recently, Chairman, Harish Mahindra said t the Directors have ex- red the possibility of en- ing into the field of shipp- and it is felt that despite present recession the com- y should proceed with its ns for owning and operat- its own fleet. The manage- nt has, therefore, sought shareholders consent for nmencement of shipping ivities as required by law. however assured the share- ders that the decision to er this particular line uld be taken at the most portune time to serve the t interests of the company.

Referring to the working of the company during the current year, he said that sales and production druing the first five months were lower than the same period last year due to current demand recession in the country in key consuming sectors automobiles, tractors and forging industries. Sales have declined from Rs 25.19 crore to Rs 21.30 crore. In terms of quantity sales have suffered a setback of 6,920 tonnes at 19,959 tonnes. It was hoped that recent credit relaxation would help in improving the conditions in the coming months.

Dharamsi Morarji

The sales of Dharamsi Morarji Chemical Company Ltd in the first five months of the current year (January to May, 1982) showed an increase at Rs 19.35 crore as compared to Rs 16.54 crore recorded in the same period of the previous year, according to Mr R.M. Goculdas, Chairman.

The Chairman told the

United Bank of India

Head Office : 16, Old Court House Street, Calcutta-700 001

31st Dec.,1980	STATEMENT OF POSITION	31st Dec.,1981
	LIABILITIES	
Rs		Rs
2,68,77,119	Capital : Paid-up Capital	2,68,77,119
4,01,44,491	Reserve Fund etc.	4,32,99,491
13 26,14,80,785	Deposits & Other Accounts	15 59,18,58,737
44,76,78,228	Borrowings from Banks, Agents	42,14,40,165
61,79,55,554	Bills Payable	58,93,82,749
71,17,12,415	Bills for collection per contra	72,63,40,879
13,36,82,199	Other Liabilities	16,66,49,415
62,32,37,293	Acceptances, endorsements etc. per contra	52,01,72,050
	Profit & Loss Account	
4,48,432	Balance of Profit as per last Balance Sheet	4,10,815
4,48,432	Less transferred to Central Govt.	4,10,815
1,23,10,815	Balance of profit for the year	1,36,86,999
	Less : Transferred to :	
33,00,000	(1) Reserve Fund	28,00,000
82,00,000	(2) Provision for Bonus	1,00,00,000
4,00,000	(3) Investment Reserve	4,00,000
4,10,815	Balance to be transferred to Central Government	4,86,999
15 86,31,78,899		18 08,65,07,604
	ASSETS	
1 92,85,62,732	Cash in hand and with banks	2 40,66,49,894
3,00,000	Money at call and short notice	3,00,000
4 22,69,57,106	Investments (at or below cost)	5 04,66,43,003
7 42,18,19,919	Loans & Advances	8 35,45,35,041
71,17,12,415	Bills for collection per contra	72,63,40,879
62,32,37,293	Acceptances, endorsements etc. per contra	52,01,72,050
3,95,49,581	Premises	3,88,81,306
4,13,85,640	Furniture & Fixtures	4,42,37,572
86,74,69,229	Other Assets	94,65,89,466
21,84,984	Non-Banking Assets (at book value)	21,58,393
15 86,31,78,899		18 08,65,07,604

naa. UBI 8275

shareholders recently that the sales of sulphuric acid however showed a fall during the five-month period due to lack of demand caused by the textile strike. Sales of single superphosphate registered a good rise.

Mr Goculdas said that taking advantage of the Government's liberalised policy of industrial capacity, the company will have now enhanced the capacity of sulphuric acid to 220,000 tonnes and single superphosphate to 200,000 tonnes.

He said that in respect of the various expansion projects undertaken by the company during the year under review, "substantial part was completed by the end of 1981 However, most of the pojects including modernisation of superphosphate plant at Ambernath, conversion of the second sulphuric acid plant at Kumbari, installation of a pilot plant for the manufacture of phosphoric acid etc. would be completed during 1982.

The company has applied for modernisation loan to the financial institutions to meet part of the capital expenditure. The balance of the required amount would be met from internal resources.

Hindustan Ferodo

Hindustan Ferodo has reported disappointing results for the year 1981 and the Directors have proposed a lower equity dividend of 12 per cent as compared to 28 per cent paid last year. The company's working has been adversely affected by an industrial unrest. According to the management, operations were possible only for six months, during the year.

Sales during the year under review, have declined sharply from Rs 19.32 crore to Rs 13.06 crore and pre-tax profit from Rs 2.45 crore to Rs 76.19 lakh. After providing for taxation at Rs 42.40 lakh (Rs 147.15 lakh) and for investment allowance reserve at Rs 1.60 lakh (Rs 5.30 lakh), the net profit works out substantially lower at Rs 32.109 lakh as compared to Rs 93.04 lakh last year.

After adjustments and appropriations the profits available for distribution amount to Rs 29.78 lakh (69.49 lakh), which has been adjusted against the payment of dividend. Last year, the company had paid 12 per cent interim and 16 per cent final dividend.

Bombay Paints

Bombay Paints and Allied Products has been doing will in the current year with sales during five months (January-May), running higher by 13 per cent compared to the same period last year.

The company is engaged in the manufacture of marine paints and the demand in the current year is bound to be affected considerably because of the recessionary trend in the shipping industry and consequent decline in profits of major shipping companies.

Victoria Mills

The current year's outlook for Victoria Mills is uncertain in view of the five months old textile strike in the city. Revealing this at the annual general meeting of the company recently, Chairman, Mr Madanmohan Mangaldas said that the mill has incurred a loss of Rs 70 lakh during the strike period and efforts were being made to reduce the overhead expenses. He expressed the hope that if the strike was called off in near future, the working results could improve during the rest of the period, wiping out most of the losses. However, overall working for the whole of current year depended on offtake of cloth and cotton prices.

Referring to the expansion programme. he informed the shareholders that a corduroy machine costing Rs 40 lakh is under customs clearance. The company wishes to instal this machine during the current year but the same has been delayed due to the strike. The company has placed fresh orders for purchase of machinery worth Rs 1.76 crore.

Chloride India

In view of the satisfactory working during the first nine months of the current financial year ending August 1982 and encouraging prospects for the remaining three months, the Board of Directors of Chloride India Limited recenty declared an interim dividend of 80 paise an equity share (or 8 per cent).

The interim equity dividend after deduction of tax at source, will be paid to shareholders whose names appear on the register of members on July 17, 1982.

Duphar-Interfran

Duphar-Interfran, is doing quite well in the current year. Its sales during the current year are expected to touch Rs 10-crore mark as compared to Rs 7.61 crore in the preceding year.

Disclosing this at the annual general meeting of the company recently, Chairman Mr P.R. Chari said that barring unforeseen circumstances the company should be in a position to restore its dividend at 16 per cent. Sales during the first five months (January-May) in current year have risen by 58 per cent as compared to the same period in 1981. Last year the working was adversely affected by a seven months strike.

The company has already introduced three new products in the market during the current year and proposes to introduce two moreproducts by September next.

Muller and Phipps Skips

Muller and Phipps (India) has produced disappointing results for the year 1981 and the Directors have again skipped the equity dividend.

Despite slight improvement in sales from Rs 3.74 crore to Rs 3.81 crore, the company has incurred a higher loss of Rs 22.26 lakh as against Rs 11.29 lakh in the preceding year.

According to the management, several adverse factors have resulted in higher losses and remedial measures were being implemented to improve the working. It is
hoped that the full impa
these will be visibly felt i
years to come and atleast
tially during the current

Capital and Bonus Issu

Nuchem Plastics Limi
Rs 44.98 lakhs in fully
equity shares of Rs 10
in the ratio of 1:1.

Dewas Tools Private I
ted : Rs 400,000 in fully
equity shares of Rs 100
in the ratio of 1:1.

Indofil Chemicals Limi
Rs 97,80,400 in fully
equity shares of Rs 100
in the ratio of 7:10.

Further Issues

Hilton Rubbers Limi
Issue of equity of Rs
lakhs (nominal) for cash
a premium of Rs 2 per s
of Rs 10. Of this Rs 36 la
(nominal) will be offere
public through prospectus

Indrol Lubricants and S
cialitiss (P) Limited : Issu
equity shares worth Rs
lakhs as under in terms of
Indianisation progra
under FERA Act 1973.
600,000 fully paid eq
shares of Rs 10 each at
to M/s. Castrol Ltd.,
in the part consideratio
transfers of Indian busi
(nominal). (b) 900,000 eq
shares for cash at a prem
of Rs 9 per share of Rs
to Indian public thro
prospectus with reserva
for Directors, business a
ciates LIC, and UTI.

Dunlop India Limi
Issue of secured convert
debentures of Rs 15 crore
cash at par. The proceed
the issue will be utilise
part finance for the compa
modernisation programm

Kirloskar Electric C
pany Limited: Issue of 955
rights equity shares
Rs 10 each at a premium
Rs 7 per share. The proc
will be utilised to meet
cost of modernisation
replacement programme.

Bakelite Hylam Limi
Issue of 900,115 equity sh
of Rs 10 at a premiu
Rs 5 per share for cash
the public by a prospe
The proceeds of the issue
be utilised as part finance
the company's expan
programme.

eastern
ECONOMIST

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This Week

ne 30

Leading spokesmen of the industry, o had been invited by the Prime inister, Mrs Indira Gandhi, complain- about the credit squeeze and the cessionary trends visible in some sec- s of the industry.

The Unit Trust of India (UTI) set w records in its sales of units income d dividend during 1981-82, according UTI Chairman, Mr G.S. Patel.

The "fast depleting foreign exchange erve" and the "deteriorating indus- al relations" in the country are caus- ; a "great deal of concern" to the ion Government, Mr R. Venkata- man, Union Defence Minister and rmer Finance Minister, stated.

y 1

The Indian rupee became cheaper by paise against the pound sterling lowing its 0.3 per cent devaluation by Reserve Bank. The new spot sterling purchase rate of £6.0569 corresponds to Rs 16.51 and the new spot sterling sale rate of £6.0277 corresponds to Rs 16.59. The middle rate is Rs 16.55 per pound.

With the continued rise in prices of edible products the rate of inflation rose to 2.4 per cent during the week ended June 19. The official wholesale price index shot up to the year's high of 285.7 (provisional) during the week ended June 19 against 284.6 (provisional) in the previous week.

July 2

The pound sterling became costlier by five paise following devaluation of the rupee by 0.3 per cent by the Reserve Bank of India. RBI has fixed the middle rate at Rs 16.60 against the previous Rs 16.55.

Iraq's Foreign Minister Sadoun Hammadi had talks with Prime Minister Indira Gandhi which he described as "extremely fruitful and useful".

July 3

Six Lodha Tribals were hacked to death by an angry mob of tribals in a few villages under Jhargram police station in Midnapore district of West Bengal, according to a report received at the State police headquarters. The incident was a sequel to an alleged gang rape of a tribal woman.

Financial institutions have decided to start a secondary market for debentures and a formal announcement in this regard can be expected shortly, Mr N.N. Pai, Chairman, Industrial Development Bank of India, stated.

A new industrial dispersal division has been set up in Industry Ministry to evolve suitable policy to establish more close contact with State Governments and to assist them more meaningfully in industrial development programmes.

July 4

An armed mob killed 12 people, including women and children in the twin villages of Bagalwa and Chilka in Bihar.

President Anton to Guzman was shot and killed when a pistol he was holding apparently went off accidentally, a Government spokesman said.

July 5

Having regard to the recent spurt in international prices of coffee, the Government has raised the rate of export duty on coffee from Rs 120 per quintal to Rs 190 per quintal.

An exclusive Indian trade exhibition will be held in London from November 10 to 20.

The Islamic Development Bank (IDB) will give Bangladesh a loan of $3.17 million to finance its raw cotton imports from Pakistan.

Twentyone States announced the floating of new loans for raising a total of Rs 504.25 crores.

July 6

The Commerce Ministry fixed an export target of Rs 8650 crores for the current financial year. This envisages a growth rate of about 15 per cent over the last year's level of Rs 7,557 crores when the export earnings were higher by nearly 13.3 per cent over 1980-81.

The tyre and tube manufacturers increased their prices by 4.5 per cent from the first of this month.

eastern
ECONOMIST

How To Encourage Overdrafts

WHO'S AFRAID of Mr Pranab Mukherjee ? Certainly not Mr Jyoti Basu, or other spendthrift Chief Ministers. The Finance Minister has just announced a package which, he claims—ha, ha—, will restore financial discipline to the indisciplined States. In fact it does little more than reward the most spendthrift ones. If at all there is a moral in this, it is that nothing succeeds like excess.

At the end of 1981-82, the States had run up overdrafts with the Reserve Bank totalling Rs 1,743.46 crores, against the limit of Rs 368 crores. Some well-behaved States like Uttar Pradesh, Karnataka and Tamil Nadu managed their finances properly without overdrafts. But West Bengal ran up an overdraft of Rs 340 crores—more than the permitted total for all States put together. This led to a long acrimonious battle with the Reserve Bank. What has been the end result ? Mr Pranab Mukherjee has put on a Halloween mask and pretended to be a tough monster while handing out goodies. The outstanding overdrafts on March 31, 1982 will all be converted into medium term loans, repayable in ten years by special category States and in five years by others. Interest is modest at 6.5 per cent, and there is a grace period of one year. The spendthrifts have triumphed.

Needless to say, Mr Mukherjee has got no thanks from Mr Basu for this generosity. Mr Basu has simply declared that the loan is not soft enough, and that the doubling of his overdraft limit to Rs 47.5 crores is not enough—he wants Rs 100 crores. Mr Mukherjee has warned sternly that overdraft limits will now be strictly observed, and if a State exceeds its limits its cheques will bounce. This can only evoke derisive laughter. Time and again States have been spendthrift, and time and again the Centre has taken over their dues—in 1972, in 1978 and now in 1982. There is no use warning the States that doom is nigh and then giving them succour.

Mr Mukherjee thinks that the slate has been wiped clean, and that we will now enter a divine era of financial discipline. In fact his package gives the States every possible incentive to refill the slate with as much red ink as possible. It could be argued that they did not need this encouragement to do so. The Finance Commission has just been appointed, and every State will now be in the business of exaggerating its expenditure in order to prove to the Finance Commission that it is desperately in need of more funds from the Centre. But higher devolutions under Finance Commission awards reward all States, not just the spendthrifts.

It has been argued by some States that it is unfair that only the Centre can indulge in deficit financing. When the Centre itself spends more than it earns, why should States be expected to lag behind ? One simple answer is that budgets should not degenerate into a competition in bankruptcy. It could certainly be argued that there should be a sharing of deficit finance between the Centre and States, just as they share income tax or excise duty. This will discourage the Centre from deficit financing, and improve finances all round. It would also knock out the complaint of States about discriminatory treatment, and make it fair to bounce the cheques of spendthrift States.

Public confidence, it is said, will be hard hit if the cheques of State Governments start bouncing. One can only say that public confidence in such State Governments should be hit. There should be a public demand for financial discipline, and this will come only if the effects of such indiscipline affect the public directly. Indiscipline already affects the public indi-

2 6 JUL 1982
C F T R I, MYSORE

ectly, in the form of inflation and inefficient Government ser- ces which do not pay for themselves. But the public is not ware of the link between Government inefficiency and its her travails. Stern action by the RBI should have a salutary fect. It is quite possible that a Chief Minister like Mr Jyoti Basu will make a major political issue of any bouncing cheques. Let him. He has already been made a hero by giving in to his demand for financial accommodation. It is very doubtful if stern action will make him any more a hero—and it could bring him down to earth instead.

Heavy Water in Hot Water

HE HEAVY water production programme as revealed by the rime Minister at the last week's meeting of the Consultative ommittee of Parliament, suggests that the first unit of the alpakkam project, completed in 1981-82, may not be mmissioned even in 1982-83. This unit, with 235 MW eneration capacity, requires 240 tonnes of heavy water for art-up. The present inventory as well as the envisaged oduction this year do not add up to this minimum require- ent. The production target, hearteningly enough, has en scaled up this year to 80 tonnes from 45 tonnes last ar. Yet with a stock in hand of 45 tonnes of freshly oduced virgin heavy water and 104 tonnes of unsafeguarded wngraded heavy water from the currently operational clear power stations at Tarapur and Ranapratap Sagar, th of which will have to be upgraded before they can be ed in reactors, the total availability will not exceed 229 nnes. The requirements of Tarapur and Ranapratap Sagar ojects too have to be met out of this.

Imports of heavy water, claimed to have been arranged er a year ago for bringing Kalpakkam's first unit on stream, ve not materialised. Otherwise, what could be the reason not fixing a schedule for the commissioning of this project?

It appears that owing to our not signing the nuclear non- oliferation treaty, there is no alternative to our depending on indigenous heavy water output for the successful imple- ntation of this power programme. The plans to push up avy water production, however, have been going awry for e reason or the other.

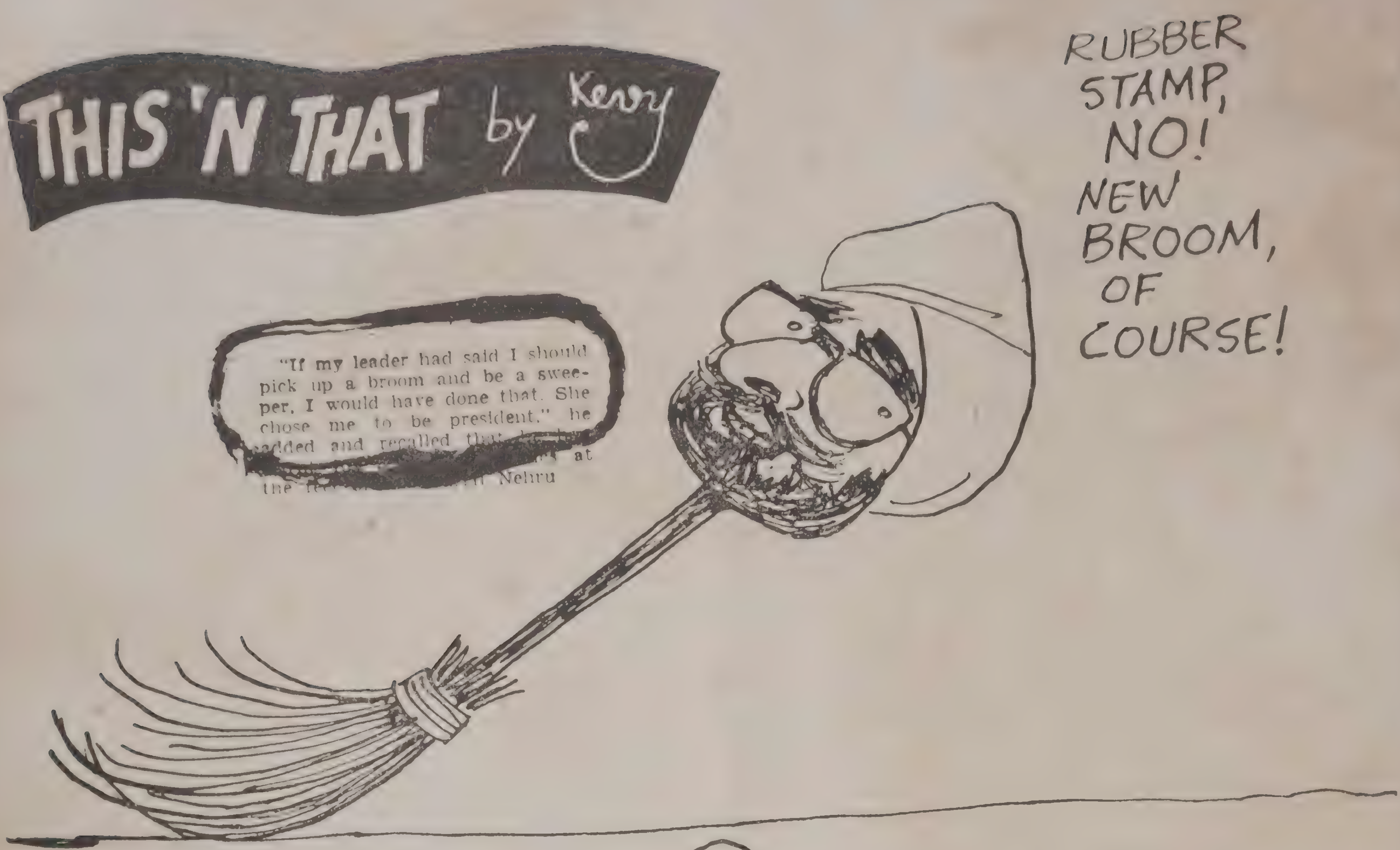
Of the three plants set up for producing heavy water, only oldest one at Nangal (14 tonnes annual capacity) has n performing well. The other two at Tuticorin and Baroda ch of 67 tonnes capacity) have been encountering problems. twithstanding significant improvement in its recovery ciency recently, the Tuticorin plant has yet to fully over- ne its teething troubles. About the Baroda plant, which s hounded by many problems in implementation, the less l the better. Not only had it to be shut down recently ause of labour unrest but also it has been facing the pro- n of leakage from high pressure ball valves which go ough a cycle of high and very low temperatures. Distur- nces in operation conditions in the ammonia plant, which of negligible consequence to ammonia manufacture, roduce impurities in the synthetic gas supplied to the heavy ter plant which are not acceptable: they cause serious disturbance to the process conditions in heavy water production. Though identified long ago, these problems have yet to be effectively tackled. Two more projects, with 90 tonnes capacity each, one at Talcher and the other at Kota, are being set up. But both of them involve new technologies. The Talcher plant is attached to the coal-based fertilizer project there and the Kota unit will be using the new hydrogen sulphide water exchange process. The problems involved in the two processes are said to be not insignificant. No indication, therefore, is yet available as to when they will be commissioned.

The Atomic Energy Commission, under whose aegis the heavy water projects as well as the nuclear power plants are functioning or being implemented, seems more interested in spreading its tentacles than in the expeditious implementation of the schemes on hand. What purpose, it may be asked, has the adoption of diverse processes for heavy water production served? Our energy problem is getting accentuated with the passage of time. What is required is expeditious completion of the projects on hand so that they can mitigate energy shortages.

It is high time the Atomic Energy Commission energised itself and yielded concrete results. Developing of nuclear expertise is of little solace. We have already slipped grievously on the nuclear energy front. Even according to the scaled-down target, we are required to have 1,800 MW nuclear generation capacity by 1983-84. On current reckoning, it is highly improbable that this target will be attained. The capacity in operation at the end of the current Plan in 1984-85 may not exceed 1,145 MW and that too if the first unit of Kalpakkam is commissioned by then. The capacity may go up by another 235 MW should Kalpakkam's second unit, work on which is at an advanced stage, also materialise. The Narora project is bound to spill over to the next Plan.

To cater for the heavy water requirements of all the above plants, two more projects with an effective capacity of 295 tonnes per annum, have been planned at Thal-Vaishet and Hazira, attached to the fertilizer plants there. It, therefore, may be possible to muddle through the present nuclear power programme, though with considerable delays. But surely a fresh look is required on the future plans which envisage establishment of sizeable nuclear generation capacity elsewhere in the country, particularly in States like Gujarat which are deficient in hydel as well as coal resources.

THIS 'N THAT by Kevy

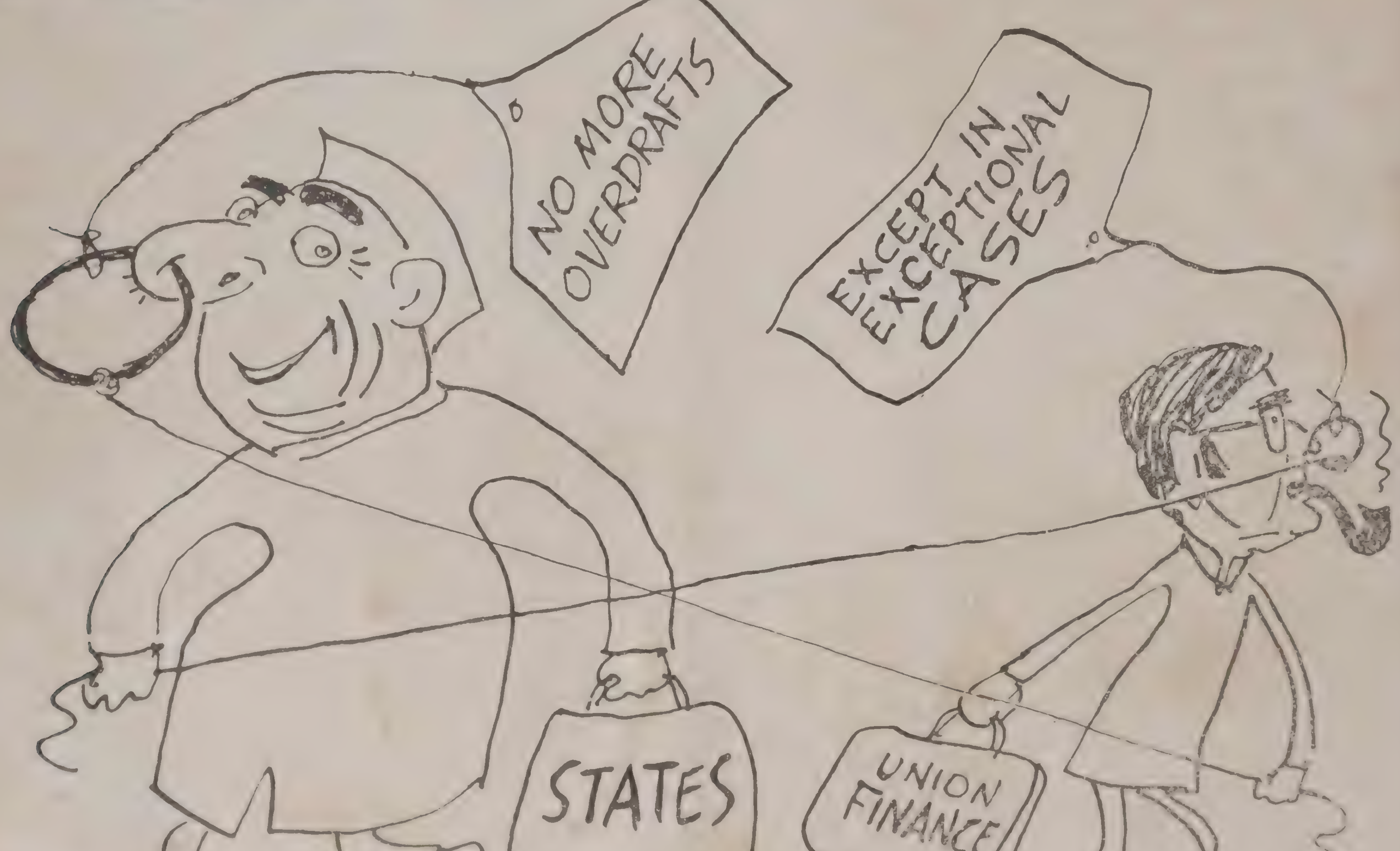


"If my leader had said I should pick up a broom and be a sweeper, I would have done that. She chose me to be president," he added and recalled that

at

the Nehru

RUBBER STAMP, NO! NEW BROOM, OF COURSE!



NO MORE OVERDRAFTS
EXCEPT IN EXCEPTIONAL CASES
STATES
UNION FINANCE

Dry Thoughts

MUST the Prime Minister and President be on the same wave-length? So says Mr C.M. Stephen, who knows how ssential it is for even the Communications Minister to be on the same wave-length if he wishes to continue as Minister. So also says *The Times of ndia*. The venerable newspaper opined hat Mr Zail Singh was the best available hoice for President, a statement so ncredible that it would have done redit to the Giani himself. Predictably, he newspaper was lampooned by its ress brethren and its own readers. It as now felt obliged to issue a clarifiation:

"What we had said was that Mrs Gandhi did not have a surfeit of talent t her disposal, and given her other ompulsions—an atmosphere of escalatng political conflict, the need to have a ikh as head of State and the difficulties f having a Brahmin President—she made he best of choices available to her".

It is, of course, entirely true that Mrs Gandhi does not have much talent her disposal, for the simple reason hat she disposed of all the talent in the arty ages ago. She has always feared nd suspected talent, and feels more omfortable with mediocrities who owe eir position to her personally and not any independent merits of their own. ut the question still remains whether e President should be fished out of r disposal bag, like reclaimed garbage. nd the question still remains whether e President should be selected on the sis of her compulsions, which is preciy what many people object to. If e is guided only by her compulsions, e will naturally come to the same nclusions as her. But is there any ason why *The Times of India* (or any other newspaper) should be guided by her compulsions?

She has a compulsive desire to select a President personally loyal to her, who must be drawn from the proven sheep of her flock. Is it this the sort of compulsion that should determine the selection of a President? Was it for these reasons that Dr S. Radhakrishnan or Dr Zakir Hussain became President?

It was Mrs Gandhi herself who chose Dr Zakir Hussain. It was a good and courageous choice, in the face of Hindu obscurantists who objected to a Muslim head of State. Dr Hussain was chosen because he was already Vice-President; because he was a distinguished scholar and educationist in his own right; and because his choice drove home the secular nature of our country. He was certainly not selected as a proven camp-follower of Mrs Gandhi or as a loyal rubber stamp. In those days we had a more noble tradition of choosing distinguished men as President. What a distance Mrs Gandhi has travelled between 1967 and 1982! How our standards of political life have deteriorated in these 15 years!

THE wave-length theory of Presidential choice is not only reprehensive but self-contradictory. *The Times of India* says that it would be bad thing for there to be friction between the President and the Prime Minister. But it is precisely this danger that will lurk round the corner if Mr Zail Singh becomes President. There is no guarantee at all that Mrs Gandhi will continue to be Prime Minister through Mr Zail Singh's term of office. Another general election is due in 1985, which she could lose. And she could die—she is getting on in years and must inevitably go the way of al mortal flesh, no matter what her compulsions. If somebody else becomes Prime Minister, there will be friction between the new incumbent and Mr Zail Singh—the very state of affairs which the wave-length theorists are afraid of. This only shows how bogus the theory is, and how important it is for the President to be above party politics.

The funny thing is that Mr Zail has pledged to abandon party loyalty once he is elected, and act impartially. If indeed he is telling the truth, then he must be regarded by Mrs Gandhi as a double-dealing traitor who deserves to be banished from the political scene. And if he is not telling the truth, we have the uncomfortable spectacle of a Presidential candidate basing his election campaign on an arrant lie.

* * *

EVEN funnier is Mrs Gandhi's latest diatribe against the Opposition for claiming that atrocities against Harijans, Muslims and other minorities had increased under her rule. She said this was the kind of propaganda adopted by Adolf Hitler in Nazi Germany. Whoa, hold your horses! Was it not Mr Zail Singh who just the other day sang praises of Adolf Hitler in Parliament? And does this mean—horror of horrors—that Mr Zail Singh is actually on the same wave-length as the Opposition? Mrs Gandhi's partymen had to work hard to get Mr Zail Singh's remarks in Parliament expunged. Unfortunately it will not be possible to get the remarks of the President expunged in similar fashion. That is a risk which Mrs Gandhi and all of us will have to live with.

Swaminathan S. Aiyar

Financing India's Structural Adjustment: Role of the IMF

Catherine Gwin

The IMF Board is meeting this week to approve the second year's lending programme to India—1,800 million SDRs—as part of the five-billion dollar loan sanctioned over a three-year period. This is an appropriate time to take another look at the loan and its implications for India. The author stresses that this is a supply-side loan aimed at boosting production, unlike upper-tranche IMF loans which seek deflation and a cut in Government spending. She notes that the initial impact of the loan has been encouraging, though it is too early to come to a final judgement. The lack of conditionality, or even a means of monitoring India's supply-side programme is highlighted by the author. The only limits placed by the IMF are on money supply and commercial borrowing, which may be adequate criteria for demand management but not for a programme designed to boost investment, production and exports. The IMF is basically trusting India to implement its own Sixth Plan.

This papar was presented at a conference on IMF Conditionality organised by the Institute for International Economics in March, and will appear in a volume of conference proceedings to be published by the Institute.

On November 9, 1981, the International Monetary Fund (IMF) approved an extended arrangement for Indian authorizing purchases up to $5.75 billion over a three-year period.[1] The arrangement is the largest in the Fund's history and perhaps one of the most controversial. While some of the controversy has focussed on the arrangement's conditionality, the case raises, as well, a broader question of when to use fund resources for financing structural adjustment.

India approached the Fund for extended financing after its economy suffered a sharp setback in 1979-80. Although the economy began to show moderate signs of recovery in 1980-81, the balance of payments position continued to weaken. Anticipating that its payments position would remain under pressure for several years to come, India brought to the Fund a "supply-side" adjustment programme. As spelled out by the Government, the programme seeks to resolve India's medium-term balance of payments problem primarily by measures to promote higher export growth and import substitution, especially in the energy sector. In other words, the aim is to achieve adjustment through growth.[2]

Obviously, it is too soon to judge the success of India's arrangements with the Fund. Nevertheless, it should be possible to arrive at some preliminary conclusions about how good the extended arrangement looks at the outset, in the light of India's economic problems and prospects; how important the Fund was, at the margin, in getting India's commitment to a sound set of policies; and what the implications of this case are regarding the Fund's role in promoting balance of payments adjustment.

This article addresses these questions by examining India's economic situation; its negotiations with the Fund; and the criticisms of the programme that have been raised within and outside India. The main conclusions drawn are the following :

●The IMF was right to agree with India that the country faced serious structural problems and needed to concentrate its adjustment effort on certain supply-side problems.

●The principal impact of the Fund's policy advice in this case has been to hold the Government of India to its own supply-side adjustment programme.

●More specifically, IMF pressure on Indian officials, which focussed on the mobilization of domestic resources for investment, seems (at least preliminarily) to have enhanced the chances of successful adjustment without having imposed undue sacrifices on India's growth or distributive objectives—largely because India came early to the Fund.

●Existing performance criteria do not, howexer, provide adequate means for monitoring India's adherence to the central savings and investment features of its adjustment programme and, thus, to the overall goals of the programme.

●Moreover, it remains to be seen how much of an effect the IMF will have o the further liberalization of the India economy and it is this issue that, in th final analysis, will determine the succes or failure of the Indian case as a Fun initiative.

●Although IMF/World Bank cooperation worked well in this case—with th Bank playing a key role in the assessment of India's investment programme— there are no procedures which insur such cooperation in other cases. No can such cooperation be an adequat substitute for greater fund expertise o the processes of structural adjustment.

●In India's case the fund has served a a lender of "first" resort. If it is to pla this same role in other cases, it will nee additional resources.

Dilemmas and Paradoxes

India's economy is continental in scope highly industrialized and extremely poor centrally planned—some would sa overly-planned; administratively-encumbered and rampant with corruption; caste-bound and socialist-inspired; determinedly self-reliant; and while guided b principles of social democracy is protective of the interests of politically powerful propertied groups. The dilemma and paradoxes in this situation have bee written about in great depth by thos seeking to understand why the country— with sources of strength many othe developing countries would envy—ha failed to make a greater impact on it problem of massive poverty. All thes factors have to be taken into account in understanding the economic policies and programmes that set the context for India's extended arrangement. However, the description that follows of Indi'a economic situation will focus largely on the problems that directly led the Government of India to turn to the Fund.

Briefly stated, following several years of strong economic performance, marked by sustained growth in output, internal price stability and a healthy external payments position, India entered the 1980s faced with uncertain medium-term growth prospects and a large balance of payments gap brought about by a sharp deterioration in terms of trade and domestic supply shortfalls. The situation confronts its decision makers with the difficult challenge of how to adjust without sacrificing growth or distributive goals, for given the country's low level of per capita income ($190) and its pervasive poverty, efforts to increase the level of income and improve its distribution remain at the centre of India's development efforts.

Triple Blow

The most immediate source of the country's economic woes was the triple blow dealt to the economy in 1979-80. First, a severe drought triggered substantial power shortages, associated shortages of coal and transportation services, and related deep cuts in agricultural and industrial production. The drought, the worst since independence, received only little attention in the international press because newly attained agricultural resiliency spared the society the human drama that had previously accompanied poor monsoons. In economic terms, however, the drought took a heavy toll, contributing in 1979-80 to declines of 16 per cent in agricultural production, and four per cent in national ncome. Resulting shortages of basic nputs and cuts in production contribued also to a decline in export performance at a time when India's external economic environment was also deteriorating.

The second blow, unrest in Assam, cut nto domestic production of crude oil and thus led to a $1 billion increase in India's oil import bill. Concomitantly, India along with others was hit by the 1979-80 sharp rise in world oil prices, which contributed significantly to a terms of trade loss equivalent to three per cent of GDP.

The result was a sharp rise in inflation to a rate of nearly 20 per cent by the end of 1980. Also, India's current account fell from a $413 million surplus in 1977-78 to a deficit of $850 million in 1979-80 and further declined to $3.5 billion by 1980-81. This then led, for the first time since the mid-1970s, to the start of a steep decline in India's foreign exchange reserves which continued through 1981, leaving India at the end of that year with reserves equivalent to only three months' imports.

Principle Reason

From a political point of view, the jump in the rate of inflation was the Government's greatest concern. As a prominent Indian economist stated in an essay supporting India's request for an IMF loan, "inflation redistributes command over resources in favour of the well-to-do and of the parallel economy, and against the poor and the unorganized;" it "does not benefit employment, production or savings at the macro-level." This view of inflation has traditionally been a major factor in the Government's economic policy-making and was, in 1979-80, a principal reason for deciding to turn to the Fund.

Relatedly, by the end of 1979-80, there was widespread concern that the country was beset with certain deep structural problems that were impeding full economic recovery and threatening future growth.

First, as already indicated, India suffered a structural deterioration in its terms of trade due largely to the increases in world oil prices. Although the Government plans to double domestic oil production by 1985 and to act to curb the growth of demand, India's oil imports will continue to rise through the next two decades.

Second, India is faced with basic infrastructural and supply constraints whose alleviation will depend on substantial domestic investment and imports requiring an unprecedented mobilization o foreign resources. According to all reports, the country is caught in a vicious circle of power, coal, steel and rail shortages that have exacerbated each other, and contributed to a substantial rise in imports of several important products in which India has an apparent comparative advantage. There is substantial scope for improved capacity utilization in a number of these key industries—notably fertilizer, steel products. and cement—as well as the potential for increased domestic oil production, but only if the interlocking constraints of power, coal and transport are eased.[3]

Third, India's economy is constrained by major inefficiences, particularly in the operations of its large public sector. Although India has made enormous capital investments, particularly in the public sector, it has a capital-output ratio of about 6:1. The public sector which now accounts for about 50 per cent of total capital investment, provides only 15 per cent of total domestic savings. Moreover, while total savings as a proportion of GNP has now climbed to about 24 per cent, which is high for a poor country, average annual growth in output has never risen for any length of time beyond 3.5 per cent a year.

A Complex System

As an analyst has recently noted, the major preoccupation of successive Governments has been with attempting a more equitable distribution of wealth, with controlling inflation and with preventing a concentration of economic power in the hands of large industrial houses. This has resulted in a complex system of controls most of which have operated to restrain initiative, particularly by the private sector. Hence, "there are plenty of levers to stop action," but "relatively too few to push things forward."[4]

In times past, when the country faced balance of payments difficulties, the Government responded by cutting back imports and thereby slowing growth. This time, the Government has decided not to close up but rather to pursue a different course: i.e. to adjust to a deteriorated external environment while simultaneously bringing about improvements in the use of internal resources and high rates of investment to maintain growth. Both political and economic considerations seem to be driving India's policy-makers along this course. For one, the economy today, despite current problems, is in an overall stronger position that it was during previous periods of serious external imbalance. The agricultural sector, which accounts for over 72 per cent of the labour force, has achieved a level of growth such that barring some extraordinary conjunction of unfavourable weather conditions, the society is freed of heavy dependence on imports of staple foods. The country's industrial base is significantly larger and more diversified than a decade ago. Its saving and investment rates are much higher. Its level of indebtedness is low and it has a substantial capacity to borrow. Furthermore, in the period 1975-79 when its economy was growing at a rate of more than six per cent and it was accumulating sizeable foreign exchange and foodgrain reserves, the Government introduced a series of liberalization measures to spur production and promote exports.

Political Pressures

In addition, there are strong political pressures on the Government to "get the economy moving;" there has been a change in the composition of Indian imports (now roughly 85 per cent are basic commodities and goods) which makes it harder now than ever to "close up" without significantly reducing growth, there is no escaping the structural nature of the deterioration in terms of trade; and there is recognition that the country cannot continue to count on growing amounts of concessional aid[5] and therefore, will need to increase both its exports and its foreign commercial borrowing in order to sustain imports of capital goods and essential raw materials.

There is some reason to doubt that the Government will actually carry through the politically difficult decisions that adjustment requires. Politicians, bureaucrats and entrepreneurs do well under the present licensed system. However, political tolerance in India for inflation and recession is low and, with State elections in 1982 and a national election in 1985, seems now to be putting considerable pressure on the Government to make adjustments that will encourage accelerated non-inflationary growth.

To this end, in April 1980 the Government announced that it would continue rather than turn back from the import liberalization steps taken by the Janata Government in 1977 (when India's reserves were high). In July 1980, an industrial policy statement was issued which eased restrictions on private enterprise and announced plans to "restructure" money-losing State owned industries to bring about more efficient management.

Promoting Exports

At several points throughout the year, administered prices on key commodities (e.g., cement, petroleum, and fertilizer) were raised. Toward the end of 1980, the Government took several steps to promote an expansion of exports—allowing production units exporting 100 per cent of their output relief from import duties; relaxing restrictions on capacity expansion where the expansion was for export; and setting up an export-import bank. Furthermore, the Government invited the participation of foreign oil companies in a programme of domestic oil exploration and development.

The overall framework for these policies is India's Sixth Five-Year Plan, released in early 1981 for the period 1980-81—1984-85. The Plan, which was a year in drafting, aims at an overall rate of growth of 5.2 per cent and a reduction of the number of people below the poverty line from 48 to 30 per cent of population; estimates total investment of the order of $190 billion (53% of which would be in public sector); focusses heavily on alleviating infrastructure constraints; seeks to replace certain key imports with domestically produced goods and to promote exports; and anticipates an increase in foreign borrowing on commercial terms to help meet an expected current account deficit projected to peak at about 2.2 per cent of GNP in 1983-84 before declining to 1.8 per cent in 1984-85 and gradually thereafter throughout the decade.

In accordance with this plan, the Government went to the private capita markets for several large project loans, approached the Asian Development Bank for the first time for a $2 billion non-concessional loan, and began negotiations with the IMF for extended financing.

India's decision "to go early" to the Fund—in anticipation of persistent pressures on its balance of payments and well in advance of exhausting its access to the private capita markets—reflected the Government's view that its deteriorating balance o payments position gave it a legitimate claim to Fund resources; that in the absence of foreign aid increases it needed to expand and diversify its sources of foreign borrowing;[7] that by drawing from the Fund in support of a strategy of adjustment through growth it could hold down the cost of immediate increases in international borrowing and maintain its strong credit-rating fo future borrowings, and that it would have little difficulty with Fund conditionality given both recent changes in Fund lending policy and the overall thrust of its own Sixth Plan.

Fund's Concurrence

In fact, in the negotiations between India and the IMF, the Fund was quick to agree with the Indian Government that the adjustment problem the country faced was of a structural nature The actions needed, the Fund concurred were not primarily in the area of demand management. Nor did India's exchange rate appear out of line.[8] Rather, the Fund shared the view of Indian authorities that, as a matter of priority, the country needed to increase domestic production of oil and certain other imported items, take a variety of measures to step up its export earnings, and improve efficiency in the utilization o existing capacity. The Fund was also of the opinion that while the deterioration in India's current account balance was large relative to the country's leve of exports, reserve position and record of foreign borrowing in the past, it was ot so large in terms of the economic djustments required to achieve a susainable balance of payments.[9]

In addition, the Fund was willing to cknowledge a difference in point of view n the usefulness of certain economic nstruments and therefore to accede, in articular, to the Government of India's trategy on interest rates, at least at he outset of the extended programme. Vhile having taken some limited neasures to raise interest rates, the Government stated that it intended o act to reduce inflation and thereby eturn to a situation like that of the nid-'70s when the rate of savings vas high. The Fund accepted this policy with the clear understanding that ndia's interest rates and its exchange ate would be among a number of issues iven close attention in subsequent -month reviews). The Fund also got rom the World Bank, whose involvenent it sought, a general endorsement f the overall thrust of India's economic lan.

Resources Mobilisation

The Fund was not initially satisfied, owever, with the Government of India's ommitment to the measures necessary "get it from here to there". In the ords of one person on the staff, "India ad a plan but not enough upfront ction". The Fund, therefore, pressed e Indian Government hard for specific ommitments, particularly in the area of omestic resource mobilization.

Part of the history of Indian economic evelopment has been that resources r investment fall short of plans. In e Fund's view, there was a danger of istory repeating itself. The Indian's xth Plan addressed this issue by dicating a number of tax and non-tax easures that would have to be taken meet ambitious investment goals. pecifically, given that the nominal tax te and rate of private sector saving ere already high,[10] the Plan emphasized e need to increase public sector saving raising administered prices (e.g., for troleum, coal and steel), reducing bsidies (e.g., for fertilizer) and fosterg greater efficiency in the utilization existing capital. The Fund urged India to break down this 5-year programme into annual components with commitments to savings and investment targets. This kind of commitment in advance was impossible, the Indian authorities argued, because the Government was obliged to take expenditure and revenue-raising measures to Parliament on a yearly basis.

Breaking Stalemate

For a time negotiations between the Fund and India were at a stalemate. The Fund, therefore, advised India to come in with commitments for a one-year programme. This India resisted doing; instead, the Government took a number of powerful revenue-raising actions. Most importantly, in July 1981, it raised the price of domestic crude oil from an average of $46.92 to $141.84 per tonne (an increase of 200%) and it further reduced its subsidy burden by over $900 million by increasing fertilizer prices for the second time in just over one year. The Government also raised the price of most petroleum products, including kerosene, by 9-13 per cent over a rise of similar magnitude six months earlier. In addition, the power tariffs of electricity boards in a number of States were raised.

Three things should be noted about these actions. First, they follow quickly on similar actions taken by the Government before coming to the Fund. Together, both the tax and non-tax measures which the Government took over this period should cover over 90 per cent of the anticipated domestic resource needs of the Sixth Plan. Second, the type of measures taken are all foreseen in the Sixth Plan.

Third, by taking these measures "in advance" the Government not only avoided the appearance of submitting to Fund conditions but it also took the teeth out of the arrangement it evantually submitted to the Fund. In place of public sector saving targets, India's arrangement with the Fund lists actions already taken that will have the effect of raising public sector savings.

Reduction of external restrictions in the Indian economy was a second, and even more sensitive issue that figured prominently in India/IMF negotiations. On this point, about all that can be said is that any real coming to terms was deferred to the first and subsequent programme reviews.

Performance Criteria

Thus the text of the extended arrangement and accompanying documentation commit the Indian Government to a set of performance criteria and economic policies that mirror the policy approach and broad objectives of its Sixth Plan, refer to measures already taken and indicate in broad terms an intention to continue with more of the same. Specifically, the performance criteria are as follows:

> In the first year of the extended arrangement India will a) hold to stipulated ceiling on domestic credit to the banking system and on net credit to Governments[11] and b) limit its contracting or guaranteeing of medium-term loans of maturity of one to twelve years to no more than SDR 1.4 billion (and, within this ceiling new commitments of between one and five years will be limited to SDR 400 million).
>
> Second and third instalments will be dependent on subsequent consultations and additional performance clauses.
>
> Throughout the duration of the extended arrangement, India will not a) impose or intensify import restrictions for balance of payments reasons; b) impose or intensify restrictions on payments and transfers for current international transactions; c) introduce multiple currency practices; or d) conclude bilateral payments agreements inconsistent with Article VIII of the Fund.

In its statement of economic policies and objectives, the Government further commits itself to a wide ranging adjustment effort which includes, along the lines suggested above, a massive investment programme with emphasis on energy production, production of certain other bulk imports, and alleviation of infrastructure constraints; policy adjustments to encourage production, investment and economic efficiency in

Our token of gratitude

To every Account Holder our deepest appreciation and gratitude, for helping us to have yet another successful year.

'Thank You'

For your growing deposits.
For the many introductions.
For the trust placed in us.

In return, we take this opportunity of rededicating ourselves to your service.

Because you are our most important asset. Even though you don't appear on our Balance Sheet.

UNITED COMMERCIAL BANK
Thank you

STATEMENT OF POSITION

LIABILITIES

31st December, 1981 Rs.				31st December, 1980 Rs.
5,00,00,000		Capital : Paid-up		5,00,00,000
8,50,00,000		Reserve Fund		8,00,00,000
2289,48,69,534		Deposits		1905,41,23,724
95,80,27,245		Due to Banks and Correspondents		67,52,42,096
29,16,42,465		Bills Payable		25,43,26,044
163,79,15,834		Bills for Collection		132,60,38,615
1,53,13,377		Branch Adjustments, etc.		11,99,18,326
136,40,77,905		Acceptances for customers		147,60,33,395
		PROFIT & LOSS ACCOUNT		
	2,40,70,472	Profit for the year	2,27,71,998	
		Less : Provision for		
	1,55,70,472	Bonus	1,27,59,309	
	85,00,000		1,00,12,689	
	50,00,000	Less : Transfer to Reserve Fund	50,00,000	
	10,00,000	Investment Reserve	25,00,000	
25,00,000		Balance to be transferred to Central Government		25,12,689
2729,93,46,360		TOTAL		2303,81,94,889

ASSETS

31st December, 1981 Rs.		31st December, 1980 Rs.
385,28,70,832	Cash in hand and with Banks	377,96,35,557
24,05,12,000	Money at Call and Short Notice	27,15,40,700
	Investments in Govt. and other Securities	
487,31,55,451	Shares, Debentures etc.	424,15,30,512
1443,37,78,333	Loans, Advances and Bills Discounted and Purchased	1125,41,13,968
163,79,15,834	Bills Receivable	132,60,38,615
136,40,77,905	Constituents' Liabilities for Acceptances	147,60,33,395
4,57,94,673	Premises	3,87,38,730
8,49,57,657	Furniture and Fixtures	7,24,38,309
76,62,83,675	Other Assets,etc.	57,81,25,103
2729,93,46,360	TOTAL	2303,81,94,889

NUMBER OF BRANCHES

706		In India	Rural	614	
268			Semi-Urban	259	
234			Urban	228	
167	1375		Metropolitan	166	1267
	9	Outside India			9
	1384	TOTAL			1276

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the private sector; continued flexibility in pricing policy (following the upward adjustment in prices made prior to the start of the EFF): monetary and financial policies aimed at "containing inflationary pressures" while "supporting rapid growth and supply-side policies;" pursuit of "a realistic policy in regard to exchange rates;" "further measures", in addition to those taken prior to the start of the EFF, to strengthen the export effort, and "the intention to carry forward the progress achieved over recent years toward liberalization of imports of raw materials, intermediate and capital goods needed by the economy."

India's Defence

In defending this programme before Parliament, the Indian authorities stated that: 1) they had not agreed to anything other than what was in the official plan; 2) if pushed too hard by the Fund on any issue they would not continue the programme; 3) if the rate of growth of output was not sufficiently high to enable them to afford the programme they would not continue to draw resources from the Fund; or 4) if economic conditions improved sufficiently they would not draw.

At the end of the first three-month period of India's extended programme. Economic indicators suggest that the adjustment effort is, generally on course. Indeed, in most areas the economy is doing better than expected. Inflation is down from its high of almost 20 per cent in 1979-80, to below 10 per cent and is expected to average under 8 per cent for the year. Expansion of credit has stayed well within the specified ceilings. Most subsectors of the industrial sector have continued to expand and performance in key infrastructural sectors has recovered from the decline of the last few years, though problems remain for the longer term. Agricultural production, which was up in 1980-81 has continued to improve, though less dramatically than industrial production. Overall, the rate of growth for 1981-82 will be about 5.5 per cent—which means that it is back to the pre-drought trend. The weakest area is, however, the trade sector, with foreign exchange reserves falling more rapidly in the first half of the fiscal year than expected. Nonetheless, in this area as well there are signs of some improvement: e.g., imports grew, in volume, by a rate of 10 per cent.[12]

That having been said, it is obviously still too soon to draw any real conclusions about the effectiveness of India's extended programme. Instead, it might be useful to explore, at least preliminarily, the major criticisms that the programme has evoked in India and from member countries of the Fund.

In India, opposition has come principally from the left, but also from others skeptical of the Government's capacity to manage the economy. According to these critics, the IMF loan was *unnecessary*; its policy conditions *intrusive* and their impact *inequitable*; and the outcome of the programme likely to be *ineffective* as a means of closing the country's balance of payments gap.[13] Each of these points warrants brief review.

A Soft Option

The seriousness of India's balance of payments problem, some critics argue, does not itself constitute a case for borrowing from the Fund. Rather, the decision to borrow is seen as a "soft option" which allows the Government to postpone politically more difficult but socially and economically more desirable alternative actions. Specifically, it is argued that the imbalances in the economy could be significantly reduced by further curbing oil consumption, reducing slack in the import bill created by previous years of liberalization, limiting military spending, instituting major tax reforms, and achieving much greater efficiencies, especially in the public sector. For the left, the preferred alternative is, in a word, to return to a more inward-looking, self-reliant strategy. For others, the preferred option (with or without the IMF loan) is a more rapid and more extensive freeing-up of the economy.

The response of the Government to criticism from the left is that a major cutback in imports and a sharper reduction in oil consumption would cause a significant decline in the rate of growth, with all the attendant consequences, especially for the poor, that recession entails. (The significance of the resource savings that might result from reduced military spending is perhaps a calculation worth making but there has been no indication that the Government would have made cutbacks in this area even in the absence of the IMF loan).

In Retrospect

Perhaps, a retrospective look at India's EFF programme will prove its leftist critics right. At this point, however, the Government's aim of achieving adjustment with growth seems entirely appropriate given the nature of the current adjustment problems facing India, the longer-term economies of a more outward-looking policy (discussed further below), and the overwhelming accumulation of evidence suggesting that faster economic growth in India is a necessary condition for achieving distributive as well as other development objectives.

A second point made by the critics in India is that even if some external financing is required, the country need not have gone in for so large, and thus, so highly conditional an IMF loan. India could have borrowed less from the Fund (thereby staying within the lower and less conditional credit tranches) and borrowed more from the commercial markets (whose conditions are profit-oriented, not ideologically-oriented). By accepting IMF conditions—which emphasize credit stringency, price decontrol and elimination of subsidies, import liberalization, and a greater role for the private sector both foreign and domestic—India loses economic sovereignty and forfeits the social objectives of its economic policy.

In response to this charge, the Government has insisted that no conditions have been accepted that depart from national policy as set out in the Sixth Plan. Although it is impossible to say whether or to what extent "anticipatory conditionality" has a bearing on that Plan, it is quite clear that, in comparison to most other IMF stabilization programmes, the Indian EFF involves less severe reductions in aggregate demand and less stringent credit controls, a longer-term perspective on regaining a sustainable balance of payments, and more emphasis on Government investment in infrastructural bottlenecks and other supply-side problems—an approach that critics of traditional IMF stabilization programme have long been recommending.[14]

No adjustment process is, however, cost-free. Having suffered a terms of trade loss of some three per cent of GDP and having faced a rate of inflation nearing 20 per cent, India had to adjust. But it is legitimate to question where the burden of adjustment should fall. Critics of the IMF loan argue that the programme is inequitable and that the burden of adjustment has been allowed to fall too heavily on the poor. In particular, they oppose the rise in indirect taxes and prices of public goods and services and the curtailing of public welfare expenditures. As argued by one of the leading critics:

> Since expenditure on infrastructure development cannot be cut and since export subsidies are deemed necessary for reversing the relative attractiveness of the domestic market vis-a-vis exports, the axe has to fall on salary increases and welfare and relief expenditures, including food subsidies. At the same time, to "encourage investment and production in the private sector," prices of agricultural and key industrial products have to be revised upwards. The logic of the IMF package therefore is such that its net result must be an "engineered" inflation, an "engineered" recession and unemployment, a squeeze on money wages and salaries and a cut in public expenditure on welfare relief and subsidies on essential consumption items. Each of these measures adversely affects the low and middle income groups; together their impact can be disastrous. And if a devaluation is additionally thrown in, the impact is even greater via its inflationary consequences.[15]

Several points might be made in considering this argument. First it is hard to believe that fiscal conditions would be less stringent without the IMF loan. Second, the Government has acknowledged that while the margin for consumption will be tight given the Sixth Plan's focus on massive investment requirements, there will be continued spending on key anti-poverty efforts. The Government also argues that it is making an effort to cushion the impact of adjustment on the poor by, among other things, maintaining food subsidies and by increasing prices on items of particular importance to the poor (e.g., kerosene) by far less than the increase on other import prices. It is also argued by supporters of the programme that among those most affected by price and subsidy changes are the relatively large commercial farmers who currently contribute little to the tax revenue of Central and State Governments.[16] Reducing subsidies on products consumed by them (e.g. fertilizers, power, irrigation) and increasing indirect taxes on products such as electric pumps is seen as "the only way to extract due contributions" from those few and politically powerful.[17]

Employment Generation

It can be reasonably argued, nevertheless, that the burden of adjustment in India today is falling most heavily on the poor. The point is argued even by some who are strong supporters of the IMF loan. Hannan Ezekiel, editor of the Bombay *Economic Times*, agrees with the left that the poor ought not to be made to bear so much of the burden of adjustment; but he suggests that the right policy response is not price controls and subsidization, but rather more deliberate moves to generate additional employment. Other supporters of the loan argue further that a greater effort should be made to discriminate between "socially relevant subsidies" that ought to be maintained and dysfunctional subsidies for other than basic welfare purposes (e.g., export subsidies) that ought to be cut. Many argue, moreover, that more direct taxation through reform and stronger efforts to stop tax evasion ought to at least accompany indirect taxing measures.

These points raise the question of whether, in advising Governments on adjustment policies, the Fund should not only be sensitive to Governments' concerns to avoid measures that place a disproportionate burden on the poor, but also should take some intiative in proposing policy approaches that would favour the poor. My own view is no. What is important is that by accepting a medium-term perspective on adjustment, early and expanded access, the Fund allows for flexible responses to this issue by Governments on a case by case basis.

'Debt Trap'

A fourth criticism that has been raised in India, however, is that the Government does not even have a viable programme for reducing its balance of payments deficit. The Government, it is argued, is "mortgaging the country's future," leading it into an all-too-familiar "debt-trap," since it does not have the capacity to make the adjustments necessary to ensure that country's ability to repay the Fund. Of concern to the left are both the dangers of non-concessional borrowing and the threat of pressure from the Fund for too-rapid import liberalization. Of concern to others in India are the absence of Fund criteria that will force the Government to deal effectively with inefficient management of the public sector and to accelerate a freeing-up of the economy—both actions being seen as essential to the achievement of faster, sustainable growth.

India, I was told in numerous interviews, must not let itself get into a situation like that of Brazil : in the face of great uncertainty in today's climate for world trade, there is a danger of becoming captive to a large, potentially unmanageable debt. And if this were to happen, the fear of some is that the country would lose its freedom of action. In other words, the IMF arrangement is perceived by some as only the first step on a slippery slope. The Government's answer to this charge is that the country can no longer depend on increasing amounts of foreign aid and that entry into the arena of non-concessional borrowing is being handled prudently. The evidence seems to bear this out. India's debt service ratio in

November 1981 was between 10 per cent and 12 per cent. It will go up with the IMF loan. Except for its arrangement with the Fund, however, all major official external borrowings are for project inancing, including, in particular, oil-related projects. Partly for this reason, ndia is now able to borrow at a rate of nterest of 1/2 to 3/8 of a percentage point above Libor. The arrangement with the fund is expected to maintain if not improve this exceedingly good credit-rating even as India's imports rise. Moreover, supporters of the fund programme within India and outside believe hat there is considerable scope for a ustained moderate rate of growth, domestic substitution of major bulk imports as well as scope for expansion of ndian exports.

Various Views

Certain critics disagree. The claim hat the IMF arrangement, which prohibits against new or tighter import estrictions, threatens India's self-reliance and its chances to regain external equilibrium. Born out of the colonial experience and reinforced by relations with major donors in the 1960s, the concept of self-reliance has received high priority in India over the last several decades, limiting foreign trade and oreign investment. For many, today's IMF deal arouses bitter memories of he devaluation of 1966, which failed to produce desired economic consequences and had a disastrous political impact. Even among those critics who recognize he difference between 1966 and today's arrangement, there is nonetheless a fear that to "open up" the economy is to make India "vulnerable". Those who oppose a further liberalization of trade an industrial policy argue that there is particularly good reason to be apprehensive in a world of rising protectionism which will make it difficult for India to balance a rise in imports with an expansion of exports. But the issue is a longstanding one that has been debated continuously throughout the quarter century since Indian independence.[18] Positions on the issue are deep-rooted and interests well-entrenched.

Obviously, this article cannot give adequate coverage to this particular issue which is central not only to Indian economic policy but also to the policies of many other developing countries. I would submit, however, that the evidence seems to be overwhelmingly on the side of those who argue that India can hasten its development by accepting greater exposure to the world economy and making greater use of its economy's comparative advantage. As convincingly argued by Lawrence Veit :

> Whether India's foreign trade policy is evaluated i) according to technical economic criteria such as efficiency (allocation of resources and ability to minimise costs) and impact on domestic savings or ii) from the vantage of India's triad of growth, equity and self-reliance, the conclusion is that India has gone well beyond what "infant industry" logic would justify. Through its extreme protectionist policies India has raised the cost structure and lowered the efficiency of domestic industry to such an extent that the economy has become insensitive to the price and other signals which, under other conditions, would serve India's growth and distribution objectives as well as capitalize on its international comparative advantage.[19]

Interrelated Problems

According to Veit, India's past foreign trade strategy has contributed to the following interrelated problems : (a) policies have, in effect, guaranteed monopoly practices which have in turn reduced effiiciency and incentives to innovate; (b) The import licensing system has operated so as to encourage expansion of capacity rather than efficient utilization of existing plant and equipment; (c) The loss of efficiency associated with the foreign trade regime is multifaceted; (d) Policies do not even optimize India's foreign exchange position; and (e) There is a built-in anti-investment and anti-growth bias.

The Fund has had and will have limited leverage on Indian economic policy, in general, and on this issue, in particular. The issue stands, however, as the one apt to cause the most difficulty in subsequent phases of the extended arrangement. Performance criteria require that India hold the line agains further restrictions. This the Government is likely to do. But, successfu adjustment will require more than that and how far and how fast the Government is prepared to move remains an open question. The Fund's extended financing gives India a 3-year cushion—to enable a high level of imports (which now consist mostly of essential raw materials and capital goods with little in the way of consumer goods) to be sustained and structural changes to be made. While much can be done to increase domestic production of some of the items that now loom large in India's import bill, growth of demand for these and other essential materials and equipment will make the import bill grow rapidly if India is to sustain a satisfactory rate of growtd.[20]

Export Strategy

Most of this growth will have to be financed by rising exports but improved export performance will, in turn, depend on both on explicit export strategy which India previously has not had and a range of measures to ease import restrictons, streamline cumbersome official regulations and licensing procedures and make more efficient India's industrial structure.[21]

According to India's letter of agreement with the Fund, export policy will be one of two principal issues discussed during the first (March 1982) review. On this point the Fund and the World Bank are allies of certain key policymakers in India; but the letter of intent submitted to the Fund by India contains no specific commitments on trade promotion measures and there is much room for future confrontation on this issue. Both the availability of adequate financial assistance and moderate pacing of trade adjustment measures are, however, likely to be critical—a point made in case studies of other developing countries' adjustment efforts and, in general, in writings by Krueger and others.

Outside of India, the main criticism of the country's extended Fund programme has come from the US Government. Interestingly, the United States and the Indian leftist critics converge on two points—doubt about the need for so large a loan and the preference for commercial borrowing. Whereas the left views IMF conditionality as an affront and a distortion of Indian priorities, however, the United States claims that the conditions are too easy. At the time of the executive board's vote on India's programme, the US Executive Director criticized the "lack of specificity" regarding the policy measures to be taken and the inadequacies of the existing performance criteria as means of monitoring India's structural adjustment. Those criteria, which deal with ceilings on domestic credit including net credit to the Government, limits on official debt, and prohibitions against import and currency restrictions, say nothing about India's strategy of public sector saving and investment, nor its trade strategy.

Lack of Monitoring

Nor does the agreement between India and the Fund state clearly what structural adjustments are most critical in order for India to achieve its projected current account trend and for the Board to review India's progress in making adjustments. Therefore, while it is expected that India will have no trouble in meeting the stated performance criteria, it is possible that it could satisfy those particular requirements without meeting the adjustment goals of its extended programme. Stated more generally, changes in performance criteria have not kept up with changes in Fund lending policy and do not provide an adequate means of monitoring structural adjustment programmes.

The Fund, recognized the limitations of existing performance criteria and, therefore, put emphasis on periodic reviews. But, at least in the Indian case, the agreement does not specify the areas of policy that are to be the principal subjects of review. Perhaps additional criteria are needed—ones that relate to the savings and investment goals of a structural adjustment programme—if the Fund's board is to have the means to make appropriate judgments about which programmes have reasonable chances of success and judgements about what constitutes reasonable progress in the course of an EFF programme. What is required, however, is not quantitative targets but agreement on the means of achieving targets (i.e., policy) and, here, what is appropriate will vary greatly country to country.

World Bank Role

In India's case, the staff of the World Bank played a major role in assessing India's investment plans. Because of its store of expertise on and involvement in India, the Bank staff was in a position to judge India's proposed balance between new investment and better utilization of existing capacity, the soundness of India's sector priorities and plans, and the feasibility of the ambitious investment programme. Given the kind of adjustment problem India faces, this contribution by the Bank was key. One has to observe, however, that there are no procedures that guarantee that such collaboration will occur in other cases. Judging from the Indian case, what is needed is a continuing working relation between regional staffs and a continuing commitment on the part of the Bank to broad ranging country programmes. Still, close collaboration is not an adequate substitute for the build-up of more expertise on the process of structural adjustment within the Fund.

For no matter how good Bank/Fund collaboration, the Bank remains an "outside consultant", not a regular participant in Fund policy discussions. Ideally, if World Bank structural adjustment landing were additional, more would be done for low-income countries through the Bank than through the Fund or there might be more parallel action which would entail both a Fund stabilization programme and a longer term World Bank structural adjustment loan.

Beyond the question of the effectiveness of the programme, the Indian case raises the broader question of when Fund resources should be made available to countries that need medium-term balance of payments financing to enable them to make adjustments without severely cutting back on rates of growth. The United States, in abstaining on the vote on India's extended arrangement, argued that India's balance of payments position did not justify expanded access financing—or at least financing of the amount India was authorised to purchase Approving India's EFF programme, the United States held, set a wrong precedent that could threaten the Fund's liquidity position and significantly alte the character of the institution. Accord ing to the US executive director, th IMF would be moved more in the direc tion of a medium-term financial inter mediary instead of a revolving monetar fund standing ready to provide tempo rary balance of payments financing o a contingent basis. There are thre facets to the US argument, each of whic deserves attention since each bea fundamentally on how the role of th fund is defined.

US Objections

First, the United States argued th the Fund's policy of enlarged acce (which allows a country total purchas of 450 per cent of quota over three su cessive years) applies, as stated in t agreed decision, to members "faci serious payments imbalances that a large in relation to their quotas." Indi the United States said; could ease i balance of payments pressures and redu its expected purchases from the Fund borrowing more aggressively in the int national capital markets or by pursui a less expansionary domestic expenditu policy.

Second, the United States argued th the Extended Fund Facility was estab shed, as stated in the decision, to ena the Fund to assist "an economy chara terized by slow growth and an inheren weak balance of payments position wh prevents pursuit of an active developm policy." The Indian arrangement, wh placed emphasis on an ambitious inve ment programme, was seen by the Uni States to stretch that concept too far.

Third, while acknowledging that co tries have been encouraged by the revi guidelines on conditionality to co early to the Fund before they are conf ted with a balance of payments crisis, nited States proposed that consistent ith those guidelines a larger proporon of the resources committed to India ould have been made available on a andby basis with greater emphasis on e contingent nature of such resources.

The core issue that the US argument ises is whether the Fund should serve lender of other than last resort. Deste the US contention that its own posion, in defence of a last resort role, is n effort to return in the Fund to first rinciples, the answer to this question is ot to be found in the Fund's Articles of greement. According to Article I of e Agreement, one of the purposes of und is "to facilitate the expansion and alanced growth of international trade, d contribute thereby to the promotion d maintenance of high levels of employent and real income and to the developent of the productive resources of all embers as primary objectives of econoic policy." Nowhere does it say that und resources should be used only if no her sources are available. The decision f when to make resources available is *matter of policy.*

India's own point of view has been at it would rather grow less quickly an borrow what it cannot afford. Early cess to expanded Fund resources gives the possibility to both adjust and grow d to avoid the political dislocations at more drastic measures, imposed der worsened conditions, would entail. his option is both in its interest and the interest of the international economic system as a whole.

References

1. Under the arrangement, purchases up to the equivalent of 291 per cent of India's quota will be financed in part (48%) from the Fund's ordinary resources and in part (52%) from resources borrowed by the Fund under the policy of enlarged access. If fully drawn, the loan will carry, therefore, an average annual rate of interest of 12 per cent. Of the total amount, not more than $1,035 million can be purchased before June 30, 1982; not more than another $2,070 million in the second year; leaving $2,645 million for the remaining period of the programme.

2. One might compare India's approach with what is referred to as "expansionary stabilization" in William Cline and Sidney Weintraub (eds.), *Economic Stabilization in Developing Countries*, Washington: Brookings, 1981.

3. Inadequacy of railway transport services is now the greatest problem. In 1976-77 the railways carried 212.6 million tons of revenue-earnings traffic. This level has not been exceeded in the subsequent four years. Centre for the Monitoring of the Indian Economy-*Basic Statistics Relating to the Indian Economy*, Volume I, Table 5-2 (September 1981).

4. L.K. Jha, *Economic Strategy for the '80s*, Allied Publishers, New Delhi, 1981. In this most recent Indian treatment of the country's economic problems, the author contends that the country is passing through "not just a bad patch in our economic progress but a deeper social, political, and moral malaise, the seeds of which lie in the malfunctioning of the economic system as a whole."

5. The foreign aid point, discussed in India's Sixth Five Year Plan, was born out in early 1982 when the World Bank announced that it was reducing both the total lending to India (from $2.1 to $1.9 billion in 1982) and the amount of that lending provided by IDA on highly concessional terms.

6. For example, India approached the market in 1980 for a $680 million syndicated credit as part of the financing for $2.1 billion aluminium complex to be built by Pechiney of France. A second major commercial offering that year involved a $200 million credit for the Oil and Natural Gas Commission.

7. India's disbursed external debt at the end of 1981-82 (excluding the Fund) amounted to about SDR 14 billion, which is equivalent to about 11 per cent of GNP. Of this total only about 2 per cent related to loans from supplier credits, commercial and financial institutions and bonds; the rest involved bilateral and multilateral loans.

8. From 1974-79 the rupee dollar rate remained stable, and the real value of the rupee fell relative to the currencies of Japan, West Germany and the UK due to price stability in India. In 1980-81, the value of the rupee depreciated against the dollar and at the same time appreciated against the major European currencies.

9. This opinion was expressed, in interviews, by those sources who felt that some of what the critics of the Indian loan wanted involved changes in the basic organization of the Indian economy and this went far beyond the appropriate concern of the Fund in applying conditions to extended financing.

10. Central Government taxes amounted in 1981 to about 20 per cent of national income.

11. The ceiling for total domestic credit expansion is placed at 19.4 per cent. Net credit to Government is limited to a rise from Rs 258.06 billion in March 1981 to Rs 294.29 billion in November 1981 and Rs 309.81 billion in March 1982. Overall, growth of total liquidity is limited to 15.7 per cent.

12. This paragraph is based on interviews.

13. These views are expressed in a collection of articles published by the West Bengal Government in a widely distributed book entitled *The IMF Loan: Facts and Issues* (November 1981). Some were also expressed in interviews conducted in India in February 1982.

14. See, for example, Sidney Dell and Roger Lawrence, *Balance of Payments Adjustment in Developing Countries*, Elmsford, N.Y.: Pergamon, 1980; and Carlos Diaz-Alejandro, "Southern Cone Stabilization Plans", pages 119-47, in Cline and Weintraub, *op. cit.*

15. Prabhat Patnaik, "Implications of Borrowing from the Fund," in the West Bengal Government Publication, *The IMF Loan : Facts and Issues*, (November 1981).

16. Although agriculture accounts for about 40 per cent of India's total national income, its share of total tax revenues is about 1.4 per cent. Indeed, agricultural income is wholly exempt from income taxes levied by the Central Government.

17. Centre for the Monitoring of the Indian Economy, *op. cit.* Table 7-10.

18. Among the many books and articles written on this aspect of India's economic strategy, see, for example, Lawrence A. Veit, *India's Second Revolution*; New York: McGraw-Hill, 1976; and Jagdish N. Bhagwati and T.N. Sriniwasan, *Foreign Trade Regimes and Economic Development : India*, New York, Columbia University Press for NBER, 1975.

19. Veit. *ibid.*, p. 290.

20. According to World Bank projections, India's import bill in current prices will grow at an average rate of 18 per cent per year through 1984-85 if the Government sticks to its ambitious Sixth Plan.

21. There are innumerable sources both Indian and non-Indian that might be cited on this point. Perhaps one of the most relevant is the recent Indian Government report, Committee on Export Strategy for the 1980s, "Tandon Committee," (December 1980) which argues that due to past emphasis on self-reliance, key sectors of Indian industry have slipped behind technologically and that this is impeding the growth of Indian manufactured exports.

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Economic Analysis

The Money Mystery

Swaminathan S. Aiyar

MONETARY DEVELOPMENTS this year are getting, in the words of Alice in Wonderland, curiouser and curiouser. Bank deposits have displayed an amazing stagnancy which has caught everybody from the IMF to businessmen by surprise. Deficit financing continues as merrily as before, but apparently this high-powered money is high-powered no more, and is not influencing deposits at all. On the other hand there has been a mysterious spurt in currency with the public which is equally a matter of surprise. With inflation coming under control, real interest rates are much higher, and there is much more incentive to keep money in deposits. Yet we see people wanting to keep cash liquid rather than earning interest. Nor can this liquidity preference be ascribed to a rise in black money or in opportunities to make a quick killing. The black market in cement and steel has disappeared and that in coal is dying, while real estate prices as well as bullion prices have fallen. Yet there is such a demand for currency that 70.86 per cent of the growth in M_3 in 1982 (up to June 4) has been accounted for by currency, against the usual 20 per cent (Table I). Historically, the share of currency in money supply has been falling steadily. But its share has risen from 22.26 per cent last December to 24.41 per cent on June 4.

Experts in the Finance Ministry and RBI are baffled. India has long been the graveyard of textbook economic theories, but never before has money supply behaved in quite such a peculiar fashion. It is obviously difficult to have an effective monetary policy when the theoretical framework of the policy proves false. The USA and the UK have already discovered how difficult it can be to control money or even know what precisely is happening to the money supply (different definitions of money supply frequently move in different directions, leaving the expert unable to say whether money is tight or expanding).

In India, RBI tried for years—from 1979 to 1981—to squeeze credit and failed quite miserably. In spite of the impounding of 10 per cent of incremental bank deposits and raising the Net Liquidity Ratio and Cash Reserve Ratio, deposits and credit zoomed inexorably upwards in this period, fed by deficit financing. And, then, quite inexplicably, deposits suddenly stopped growing in 1982, and the squeeze on credit turned out to be so severe that RBI tried to relax it (and failed, so prolonged has been the stagnancy of deposits).

Net bank credit to the Government has risen fast, from Rs 28,509 crores last December to Rs 33,167 crores by June 4 (Table II, P 64). But this has just not been reflected in higher deposits. Hence money supply has increased by only 4.6 per cent between December-end and June 4 (against 8.5 per cent in the same period last year). It is not RBI, nor the Government, nor even the wicked IMF which has been squeezing money, it is some mysterious force which has rendered high-powered money impotent. In the bad old year of 1978-79, net bank credit to the Government rose by 18.3 per cent, and inflation exceeded 21 per cent. The rise in Government credit between December-end and June 4 has been 16.3 per cent, a very high rate indeed, and yet prices have actually fallen.

The IMF must be perplexed. It had set a ceiling of Rs 30,981 crores for net bank credit to the Government on March 26, and the actual figure was Rs 30,903 crores—a damn close-run thing, you might say. And yet if we look at M_3, we find it rose by only 12.9 per cent in the financial year against the IMF ceiling of 15.7 per cent. The IMF never thought that deficit financing could have such a minimal impact on money supply.

What is the moral, if any? One is that deficit financing could regain its potency as suddenly as it lost it, and then all inflationary hell could break loose. Money has been tighter than necessary so far, thanks to the inability of the RBI to reduce the squeeze, which has been more severe than prescribed. But a cautious approach to monetary expansion is definitely called for, especially since there has been a bad start to the monsoon which has fuelled inflationary expectations. If the rains fail, the Government will certainly have to fork out large amounts for drought relief, which will tend to accelerate money supply and prices. But while keeping money tight overall, the Government needs to give selective credit for deserving sectors like tractors, transport equipment and power-driven pumps. The extra credit needed by these sectors will be no more than Rs 150 crores, and the increased purchase of such equipment will tend to alleviate shortages and curb prices, so that the monetary expansion is justified. This is not the case for many other industries complaining of falling demand, where extra credit would simply go into inventories.

The money mystery also seems to prove that the concept of black money transaction taking place entirely or largely in cash is a myth. In the worst days of the 1978-81 inflation, when black money was pouring out of the ears of dozens of businesses, it was bank deposits and not currency that showed a spurt. And now that black money is under control, it is currency and not deposits that are rising.

Finally, the monetary puzzle once again highlights the need to tackle economic problems at several levels instead of trying to focus on just money, as Dr Milton Friedman would have us do. Money is important. But so is budgetary policy, the efficiency of public sector, trade policy, the public distribution system and the food-for-work programme. One or two of these are always liable to get out of control from time to time, but if the others hold firm then the situation can be saved. It is when they all go down like ninepins one after another (as in 1978-81) that we get caught in a vicious downward cycle.

If there is a drought this summer, some things are going to go seriously wrong. We need to stand firm on the other critical elements of economic policy if we are to get through a natural calamity with the minimum possible damage.

TABLE I

Growth of M_3 : 1978-82

(By Components)

(Amounts in Rs crores)

As on last Friday/ Friday	Currency with the Public	Deposits of the Public	M_3 (1+2)	Percentage Share in Total M_3 of : Currency (1) as % of (3)	Deposits (2) as % of (3)
	(1)	(2)	(3)	(1a)	(2a)
1977-78	8,631	24,275	32,906	26.23	73.77
1978-79	10,220	29,641	39,861	25.64	74.36
1979-80	11,699	35,093	46,792	25.00	75.00
1980-81	13,461	41,853	55,314	24.34	75.66
1981-82	14,514	47,954	62,468	23.23	76.77
June 4, 1982	15,773	48,840	64,613	24.41	75.59
A year ago	14,267	43,350	57,617	24.76	72.24
December, 1981	13,745	48,006	61,751	22.26	77.74
December, 1980	12,592	40,487	53,079	23.72	76.28
Incremental M_3—By Components					
1978-79	1,589	5,366	6,955	22.85	77.15
1979-80	1,479	5,452	6,931	21.34	78.66
1980-81	1,762	6,760	8,522	20.68	79.32
1981-82	1,053	6,101	7,154	14.72	85.28
Latest full year (June 4, 1982 over June 5, 1981)	1,506	5,490	6,996	21.53	78.41
June 4, 1982 over end March	1,259	886	2,145	58.69	41.31
Corresponding Period Previous Year	806	1,497	2.303	35.00	65.00
June 4, 1982 over End December 1981	2,028	834	2,862	70.86	29.14
Corresponding Period Last Year	1,675	2,863	4,538	36.91	63.09

Compiled by P. Vaidyanathan

TABLE II

M_3—Its Components and Sources

(Amounts in Rs Crores)

	Components			Sources				
Last Friday/Friday	Currency with the Public	Deposits of the Public	M_3 (1+2) (4+5+6+7—8)	Net Bank Credit to Government	Bank Credit to Commercial Sector*	Net Foreign Exchange Assets of Banking Sector	Government's Currency Liabilities to the Public	Banking Sectors Net Non-monetary Liabilities (other than Time Deposits)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1977-78	8,631	24,275	32,906	13,727	21,222	4,445	593	7,081
1978-79	10,220	29,641	39,861	16,239	25,350	5,338	604	7,670
1979-80	11,699	35,093	46,792	20,101	30,630	5,295	592	9,826
1980-81	13,461	41,853	55,314	25,806	36,320	4,682	609	12,103
1981-82	14,514	47,954	62,468	30,903	42,767	2,661	635	14,498
June 4, 1982	15,773	48,840	64,613	33,167	43,536	2,346	635	15,071
A year ago	14,267	43,350	57,617	26,887	37,217	4,326	625	11,438
December, 1981	13,745	48,006	61,751	28,509	41,706	3,194	634	12,292
December, 1980	12,592	40,487	53,079	23,162	34,626	4,690	607	10,006
Variation--Absolute (Amount in Rs crores)								
1978-79	1,589	5,366	6,955	2,512	4,128	893	11	589
1979-80	1,479	5,452	6,931	3,862	5,280	(—) 43	(—) 12	2,156
1980-81	1,762	6,760	8,522	5,705	5,690	(—) 613	17	2,277
1981-82	1,053	6,101	7,154	5,097	6,447	(—) 2,021	26	2,395
Latest (Full) Year	1,506	5,490	6,996	6,280	6,319	(—) 1,980	10	3,633
End March 1982 to June 4, 1982	1,259	886	2,145	2,264	769	(—) 315	—	573
Corresponding Period Previous Year	806	1,497	2,303	1,081	897	(—) 356	16	(—) 665
End December 1981 to June 4, 1982	2,028	834	2,862	4,658	1,830	(—) 848	1	2,779
Corresponding Period Previous Year	1,675	2,863	4,538	3,725	2,591	(—) 364	18	1,432
Variation—Percentage								
1978-79	18.4	22.1	21.1	18.3	19.5	20.1		
1979-80	14.5	18.4	17.4	23.8	20.8	(—) 0.8		
1980-81	15.1	19.3	18.2	28.4	18.6	(—) 11.6		
1981-82	7.8	14.6	12.9	19.8	17.8	(—) 43.4		
Latest (Full) Year	10.6	12.7	12.1	23.4	17.0	(—) 45.8		
End March 1982 to June 4, 1982	8.7	1.8	3.4	7.3	1.8	(—) 11.8		
Corresponding Period Last Year	6.0	3.6	4.2	4.2	2.5	(—) 7.6		
End December 1981 to June 4, 1982	14.8	1.7	4.6	16.3	4.4	(—) 26.5		
Corresponding Period Last Year	13.3	7.1	8.5	16.1	7.5	(—) 7.8		

* Includes Public Sector Enterprises

Compiled by P. Vaidyanathan

Large Companies' Performance

A RESERVE Bank study on the perfor- ance of 433 selected non-financial and on-Government large public limited ompanies (each with a paid-up capital of upees one crore or more) has revealed at while the growth rates in regard to eir sales, production value and capital ormation in 1980-81 improved in compari- on with the previous year, their gross rofit as percentage of net assets as well sales suffered some setback as a sequel mounting costs.

The table alongside provides the rele- nt data on the performance of these dertakings. It discloses that whereas eir value of production and sales in 80-81 improved by 17.8 and 17.2 per nt respectively, as against 14.8 per cent ch in 1979-80, their gross profits went by only 10.7 per cent as against 21.3 r cent. The improvement in operating ofits was just around 3.2 per cent, as ainst 24.6 per cent. Profit before tax nt up by 6.9 per cent, as against 25.9 r cent, but post-tax profits improved 16 per cent as against 33.8 per cent.

Post-Tax Profits

While the growth in gross profits suffe- d a sharp setback due to 18.5 per cent crease in expenditure (excluding in- rest), total income (excluding non- erating surplus), rising by only 17.7 per nt, the post-tax profits showed some- at better growth (though still lower an in 1979-80) following some dec- e in provision for taxation. Interest yments went up from 12.4 per cent in 79-80 to 13.8 per cent in 1980-81. Their cidence on production value worked t to 3.6 per cent, as against 3.3 per nt in the previous year. With dividend yments rising by 10.8 per cent, the owth in the retained profits declined to .4 per cent from about 55 per cent.

The return on total net assets (gross ofits as percentage of total net assets) clined from 12.8 per cent in 1979-80 12.2 per cent in 1980-81 and margin on sales (gross profits as percentage of sales) rose from 11.0 per cent to 10.4 per cent. The return on shareholders' equity (as measured by profits after tax as percentage of net worth), however, improved from 14.2 per cent to 14.7 per cent.

The rate of gross assets formation maintained the uptrend observed during the last four years and was 14.5 per cent in 1980-81, compared with 13.3 per cent in the previous year. Of the gross assets formation, a little less than half was in the form of gross fixed assets and about one-fourth in inventories. The fixed assets formation, gross and net, increased at the rate of 13.3 per cent and 15.4 per cent, respectively, as against 9.5 and 8.6 per cent. Inventory accumulation by 13.9 per cent revealed a marked reversal of the increasing trend observed in the previous years; it had increased steadily from 0.6 per cent in 1976-77 to 5.7 per cent in 1977-78 and 21.5 per cent in 1979-80. The rates of total capital formation gross and net were 13.5 per cent 14.7 per cent, as against 13.0 per cent and 14.4 per cent.

Despite the overall increase of 13.9 per cent in inventories, the inventory ratios

Performance of Large Public Limited Companies : 1980-81

	Amounts (Rs crores)			Growth rate (per cent)	
	1978-79	1979-80	1980-81	1979-80	1980-81
Value of production	12,318	14,145	16,656	14.8	17.8
Sales@	12,149	13,945	16,345	14.8	17.2
Gross profits	1,267	1,537	1,702	21.3	10.7
Operating profits	860	1,071	1,106	24.6	3.2
Profits before tax	890	1,121	1,198	25.9	6.9
Tax provision	444	524	506	18.0	—3.5
Profits after tax	446	597	692	33.8	16.0
Dividends	215	238	263	10.3	10.8
Profits retained	231	359	429	55.7	19.4
Gross fixed assets	7,949	8,703	9,930	9.5*	13.3*
Net fixed assets	4,121	4,476	5,215	8.6*	15.4*
Inventories	3,380	4,105	4,674	21.5	13.9
Gross capital formation*	1,073	1,477	1,725	13.0	13.5
Net capital formation*	720	1,078	1,259	14.4	14.7
Total gross assets formation*	1,278	1,907	2,360	13.3	14.5
External sources	666	1,059	1,402		
Of which, bank borrowings	173	204	51		
Profits retained as % of :					
Profits before tax				32.0	35.8
Profits after tax				60.2	61.9
Gross profits as % of :					
Total net assets				12.8	12 2
Sales@				11.0	10.4
Profits after tax as % of net worth				14.2	14.7

@ Net of rebates and discounts and excise duty and cess. * Adjusted for revaluation due to devaluation/revaluation of foreign currencies, etc.

owed only marginal changes. While e holding of raw materials, compoents, etc., were 2.3 months' consumpon requirements in 1980-81 as comared with 2.6 months, consumption reuirements in 1979-80, the inventory of nished goods declined from 3.8 weeks' ales in 1979-80 to 3.7 weeks' sales in 980-81. The ratio of short-term bank borowings to inventories continued to show he declining trend observed since 1977-78 and was 38.9 per cent in 1980-81, compared with 42.9 per cent in 1979-80 and 47.8 per cent in 1978-79.

More than half the total assets formation during 1980-81 was financed by external sources of funds. Trade dues and other current liabilities constituted the most important source of external sources of funds. Among the internal sources amounting to Rs 958 crores in 1980-81, depreciation provision alone contributed Rs 466 crores. Net working capital of the selected companies increased by 17.2 per cent. They continued to be net absorbers of trade credit. While the ratio of current assets to current liabilities remained stationary at 1.27, debt as percentage of equity increased from 48.3 per cent in 1979-80 to 55.1 per cent in 1980-81.

Bitter Sugar

SUGAR OUTPUT this year has excelled even the most optimistic expectations. By June 22, 82.32 lakh tonnes had been produced and yet a sizeable number of factories was still in operation. The year is likely to end with production exceeding 84 lakh tonnes. With 9.43 lakh tonnes carry-forward from the 1980-81 crushing season, including 2.14 lakh tonnes imports, the total availability this year is estimated around 93.5 lakh tonnes, as against 58.3 lakh tonnes during 1980-81 and 61.75 lakh tonnes in the previous year. Domestic consumption on the basis of the monthly releases of both levy and free sale sugar (levy sugar 2.91 lakh tonnes up to March and 2.94 lakh tonnes with effect from April 1 and free sale sugar two lakh tonnes on an average) will aggregate to about 58 lakh tonnes. Exports are proposed to be effected to the level of the full seven lakh tonnes quota under the International Sugar Agreement, of which about four lakh tonnes may be exported during the current crushing season. The carry-forward to the next year, thus, is expected to be around 32 lakh tonnes. With the output during the next crushing season also anticipated to be a bumper one, as owing to the high cane prices the acreage under sugar-cane is stated to have gone up this year, the availability during the 1982-83 sugar year should remain very comfortable. Even with some shortfall in production for one reason or the other, it should exceed 110 lakh tonnes.

Crisis of Surplus

The sugar industry, thus, is passing through a crisis of surplus which will continue next year also unless remedial measures, particularly in respect of domestic consumption, are taken expeditiously. The crisis has arisen partly because of the credit squeeze. On an output of 84 lakh tonnes, the credit requirements of the industry are estimated around Rs 800 crores. Of this, credit to the tune of only Rs 500 crores has been made available as yet. Consequently, cane supply arrears have gone up to over Rs 200 crores.

A deeper reason for the travails of the industry, however, is the high price (on an average Rs 22 per quintal, as against the Rs 13 statutorily fixed minimum rate) which it has been obliged to pay for cane supplies under directives from the State Governments. The excess payment has to be recouped by the industry through sales in the open market which can be to the extent of 35 per cent of total output. The balance 65 per cent production has to be made available as levy to the Government for sale through the public distribution system at notified prices, ranging between Rs 276 and Rs 369 a quintal for D-30 grade sugar for different factories, averaging out the sale price through the public distribution system at Rs 3.65 per kg for the consumer. To ensure some return to the industry on the capital employed, the free-sale price has to be kept up through regulated releases of both levy and non-levy sugar. The levy sugar price, it may be mentioned, takes into consideration only the statutorily fixed minimum cane price.

While ways and means, no doubt, will be found out to improve the liquidity of the industry either through further liberalisation of credit or going in for buffer-stocking operation, the crisis of surplus can be resolved ultimately only through ensuring that the cane price is brought down during the 1982-83 crushing season. With exports governed by the world sugar agreement, recourse to larger exports is out of the question. Moreover, exports entail a heavy loss even if effected out of levy sugar. Incidentally, around 5.5 lakh tonnes exports to be effected during the current calendar year are to be out of the levy sugar and the balance 1.5 lakh tonnes out of free-sale quota.

The only way to stimulate domestic consumption is to bring down prices of free-sale sugar. Any substantial reduction in these prices this year obviously will not be possible if the industry has to be ensured some return on the capital employed, unless, of course, excise duty is cut, which is highly improbable. In fact, free-sale releases had to be contained on this consideration early last month.

The Key

Complete decontrol is no remedy; it will spell disaster for the industry. The key to resolving the crisis lies in bringing down cane prices during the next crushing season. Political considerations have to be dispensed with in the overall interest. Even though the industry was made to pay this year Rs 22 per quintal for cane supplies, the income of cane-growers apparently has been eroded somewhat by delayed receipts. This price of cane has to be discounted by the loss of interest to the growers which they could have earned had they received payments promptly. The industry's costs, on the other hand, have gone up due to increased interest burden to hold large stocks. The consumer has been the worst sufferer. He has to shoulder all this burden.

The above, however, does not imply that growers' interest should be sacrificed completely. What ought to be done s to raise the statutory minimum price o the level recommended by the Agricultural Prices Commission. This year his recommendation was for Rs 15.50, gainst which the minimum price was ixed at only Rs 13 per quintal. The APC nay suggest a somewhat higher price ext year in view of the escalating production costs. But any wide departure rom it by the State Governments needs o be avoided. As the statutory minimum prices is taken into account for etermining the levy sugar production ost, the levy sugar price will have to be aised correspondingly. This, of course, hould help in reducing the pressure n the industry to earn from free-sale gar profits to ensure adequate return.

Buffer-stocking of sugar appears to be ecessary to obviate periodic wide fluctu- tions in production and supply. But the overnment seems to be dragging its et on this issue. The industry wants e buffer stock to be kept on Government account so that it can be relieved f the burden of servicing it and can ve better liquidity at the present junc- re of tight credit. The Union Finance inister is reported to be toying with e idea of raising excise duty to find re- urces for investment in the buffer stock, tle realising that this will push up gar prices at a time when they ought be lowered to stimulate consumption d benefit the consumer. Even if the nsumer has to shoulder this burden imately, is it not possible to raise the quisite funds indirectly through deficit ancing? Part of the excess revenue m excise following unprecedented pro- ction too can be utilised for this pur- se.

ow Productive Is he Productivity Year?

E PRIME Minister, Mrs Indira Gandhi, ignated 1982 as the Year of Producti- . In a leader-oriented society, the slogan ght up. Mrs Gandhi's lieutenants ked about the productivity year with to at available opportunities.

y the time the budget was presented, as expected that more content and meaning would be given to the slogan. But apart from some excise concessions for excess production over that in 1981, other incentives did not add up to too much.

Now that almost half the year is over, the impact of the year of productivity can be gauged to some extent. The picture that emerges is not reassuring. There are limited chances of 1982 recording a much higher rate of industrial production than 1981.

It is true, sugar production in the current season will be a record one. Present estimates show production at over eighty lakh tonnes which is some twenty lakh tonnes more than the output last year. But then this was the result of the planting of cane over a large acreage last year. As in the past, the country seems to struggle to manage a situation of surpluses. Available cane is not being utilised fully, leading to distress selling which would result in the farmers moving away from cane on grounds of unremunerative prices. Sugar mills are choked with stocks and the industry is worried over falling prices. For a time, it was a problem to store molasses as alcohol produced could not be utilised fully. Cumulatively these factors are bound to depress the hopes of higher production over that of current year in the 1982-83 season.

Commercial Vehicles

A similar problem of coping with surplus is experienced by the commercial vehicle industry. Leading producers, TELCO and Ashok Leyland, have to reschedule their programme of production increases on grounds of reduced demand. This has set in a chain reaction, with the slowing down of vendor ordering programmes. Numerous ancillary industries and others who supply components or do jobbing have been advised to scale down their supplies. Thus after almost four years of substantial growth, the industry seems to have reached a plateau. It appears doubtful if production in the year as a whole will be very much higher than that of last year.

The plight of several engineering industries appears equally unenviable. The bicycle industry, for instance, enjoyed a big boom in the last three years. Demand was growing and the manufacturers at times found it difficult to cope with the demand. Production at TI cycles of India, for instance, shot up from 375,000 in 1980 to 580,000 in 1981. But the industry as a whole finds it difficult to maintain this rate of growth. Marketing has become difficult and on present sights production in the current year is not expected to be very much higher than that of 1980.

The fall in demand is just one factor for scaling down production. But one is somewhat baffled at the inability of the Government to prevent loss of production due to other man-made causes. The prolonged strike at the textile units in Bombay has already contributed to a loss of about a seventh of the production of textiles in the organised sector in the whole year. According to Chairman, Mr H. Maganlal, of the Bombay Millowners Association, the loss of production so far had been around 600 million metres of cloth valued at Rs 600 crores. Loss of export has been estimated around Rs 115 crores and the loss of revenues to the Central and State Governments has so far been estimated at around Rs 120 crores. And yet there is little effective action on the part of the Centre to intervene and arrive at a settlement. The impact of the strike has not been felt at the consumer level, again because of production during last year being in excess of demand resulting in a good volume of stocks in the pipeline.

S. Viswanathan writes from Madras

Numerous other industries connected with textiles such as caustic soda, dyes and chemicals are also affected as a result of this and yet even, in this year of productivity, there is not much alacrity on the part of the leadership to prevent this avoidable loss.

Surprisingly even industrial units producing goods enjoying good custom seem to be reporting lower levels of production, due to industrial disputes. Production at a few of the moped and motorcycle units is at a standstill due to industrial relations problems.

There was peace on the industrial front

1980 and 1981 and this contributed in good measure to the vast improvement industrial production. The number of nandays lost during 1981 was 25.5 milion and that in the previous year was 21.93 million. These were substantially ower than the record 44 million mandays lost in 1979.

It was, therefore, disturbing that 1982 should see a reversal of this trend. It has been stated that the prolonged strike at the textile mills in Bombay alone has so far caused a loss of 26 million mandays with no solution still in sight. The year of productivity 1982 seems to be well set for a record in the number of mandays. lost. The inability of several industries to sell their goods is bound to make the going at the negotiations for bonus rather tough. If one was disappointed over the absence of the effective machinery to read the warning signals in time, one is much more puzzled over the ineptitude to even read writings on the wall. With the record of the first six months in the industrial relations field, with the number of mandays lost already exceeding those lost in the whole of 1982, the leadership should have swung into action. But alas ! there had been the preoccupation with the mini-general election and now with the Presidential election. It is indeed a tragedy that the excellent base created during 1981 should be allowed to crack, thus missing one more good opportunity to rear a self-reliant economy.

At current trends the year of productivity may perhaps end up with another year in which some slogans were produced and nothing beyond.

Deep Sea Fishing: Is it Profitable?

WHY DOES nobody want to fish in our deep seas ? Of the present catch of 1.55 million tonnes from the marine sector, stagnant for the last three years, about 67 per cent is contributed by the traditional sector, about 32 per cent by mechanised boats, and only one per cent by deep sea fishing.

There are only about 60 vessels of 17 to 20 meters in size, capable of plying deep seas. Most of them are outdated Mexican trawlers. Operating largely from Visakhapatnam, these socalled large vessels, like the smaller mechanised boats and the non-mechanised craft also operate mainly in Indian territorial waters. They confine their catch to shrimps, which account for nearly 85 per cent of the value of our exports of marine products.

Most of the vast Indian Exclusive Economic Zone (EEZ), about 200 nautical miles from the appropriate base line, and comprising about 2 million square kilometres, is not being exploited as our operators find it unprofitable. The estimates of the potential catch (sustainable annually) of the Indian Ocean varies from 11 million to 60 million tonnes, apart from mesopelagic fish which may have an annual yield potential of billions of tonnes. In the Indian EEZ itself, the most conservative estimate of annual potential yield is 4.5 million tonnes. Our actual catch is only 1.5 million tonnes.

Saturation Point

As fishing in the coastal waters has reached a saturation point, there is great urgency now for the deployment of deep sea fishing vessels with high endurance and capable of deep bottom trawling, mid-water trawling, purse-seining and tuna fishing techniques. At present there is no organised tuna fishing, though about 2000 tonnes are incidentally caught while trawling.

Even as the Government is outlining various soft loan schemes for acquisition of indigenous trawlers, more and more large companies are closing their deep-sea operations. The latest to quit are Britannia Industries Ltd and New India Fisheries. The Indian Tobacco Company Limited (ITC) had withdrawn its two Mexican trawlers last summer. EID Parry has pulled out as well. That leaves only a few of the large companies in the arena—including the Chowgules and the Tata Oil Mills Company (TOMCO).

The main reason for the flight of big business from this industry is cited as inadequate profitability. This is due to rising diesel costs, which alone account for over 60 per cent of the total cost of operation. The recent 50 per cent excise rebate on diesel has not provided any sizable relief. But the question can certainly be raised that when the unsubsidised diesel price in India is already cheaper than the international price, how is it that the poachers find it a viable operation ? Besides being denied the benefit of any subsidy, the poachers expose themselves to great risks of detection and confiscation. Yet they choose to operate in large numbers – clearly indicating that the business is certainly profitable. It then boils down simply to the efficiency of operation. If the Indian companies cannot do the job well, ther is abolutely no harm in licensing foreign trawlers. Not only can we earn som foreign exchange by way of licence fees we can learn much about thc quality an quantity of catch as well as the viabilit of the operations.

Unviable Venture

Moreover, the question of additiona subsidies makes little economic sense While the catch from the deep-sea will b primarily meant for exports, it may we turn out that the revenue so generate may just about match the cost of subsidising diesel oil, which forms a substantial part of our import bill.

It is significant to note that even moderate sized trawler, such as used fo catching shrimps, costs nearly Rs crores. Bigger vessels, geared for diffe rent fishing techniques, cost severa crores of rupees. Quite obviously, deep sea fishing requires large scale of op rations wlth huge capital costs and, t begin with at least, it is certainly th game of big business. A tough stan against the big business houses by th Government, as evinced in the conf rence by the Union Minister Rao Birend Singh, and his inclination towards pr moting State undertakings in deep-s fishing business, will only further compl cate matters. As it is, the soft loan a sistance by the SFDC is not availab to the large companies.

Out of the 13 letters of intent give to various parties for chartering 89 ve sels, only three parties have so far con into operation and there are only vessels at present on charter basis. Fishi industry circles point out that while thr applications have already been withdrawn, there are some State sector enterprises also in the list. The remaining 7 to 8 charter offers accepted have all gone to companies new to fishing operations.

Representatives of the Association of Indian Fisheries Industries claim that a great many of their charter applications have got 'lost' in Krishi Bhavan. A stipulated time-bound programme for acceptance or rejection of their applications, of even five months for instance, they feel, could save them of uncertainty as their foreign collaborators could not wait indefinately. In two specific cases where the Government has dragged its feet over pending applications, it is learnt that one is dated 1977—from Britannia Industries to acquire a German vessel (from GDR); and the other is by Tata Oil Mills for two large Russian factory vessels. (The Soviets, incidentally, possess the largest fishing fleet in the world.)

No less important than the deep-sea vessels is the basic infrastructure required for the development of marine fisheries, These include facilities in harbours for berth, fuel, water, ice, provisions, workshops, cold storages and transportation. Unfortunately, there is yet no adequate provision for all these facilities in any fishing port in India. None of the minor harbours, except perhaps for one or two, is deep enough to take even medium fishing vessels. Till such time that the five major fishing ports come up [i.e. Visakhapatnam, Roy Chowk (Calcutta), Cochin, Madras and Bombay] the deep-sea vessels will have to operate from major commercial ports involving heavy expenditure on account of port dues and congestion.

Business Outlook in Bengal

R. J. Venkateswaran writes from Calcutta

In recent weeks, business organisations in Calcutta have offered several suggestions to the Government of West Bengal to revive the investment climate in the State. Addressing a press conference on June 28, the President of the Indian Chamber of Commerce, Mr B.D. Bangur, urged the State Government to adopt an "aggressive and helpful approach to attract investment". He wanted the Government to give priority to land development, improvement of infrastructure and the growth of satellite towns and new industrial areas. He pleaded for a bold programme for building houses and roads which would also create more employment. Mr Bangur appealed to the Government to review its fiscal policies so that West Bengal's industries and trade did not remain uncompetitive in relation to the other States. He pointed out that the turnover tax, the "extremely heavy agricultural tax on tea", and the entry tax had led to the diversion of trade and had imposed a severe burden on the tea industry. The Indian Chamber's President emphasised the need for preventing sickness in the existing industries and for improving their profitability in order to encourage new investment.

The President of the Bengal National Chamber of Commerce and Industry, Mr H.N. Dutta Gupta, in his speech at the annual general meeting of the Chamber on June 26, said that the State Government should reorganise some of its major departments to enable them to function effectively. He suggested that advisory boards should be set up to monitor the functioning of departments like power, industries, planning and transport. He remarked that the absence of harmonious industrial relations, general apathy of employees to work, and time-consuming administrative procedures had undermined the growth of industry in West Bengal.

The President of the Calcutta Chamber of Commerce, Mr B.K. Mohta, in his speech at a meeting of the Chamber on June 19, said that West Bengal's industrial stagnation was not due to the flight of capital, or an investment strike by industrialists. He suggested that the Government should modify its scheme of incentives suitably so as to make it as attractive as that of some other States. He remarked that one way of solving the problem of industrial sickness was auction the units to the highest bidd instead of calling for a moratorium o their debts. Mr Mohta also observ that the indiscriminate demand for n tionalisation was preventing industri from implementing their scheme f modernisation and development.

Enunciation of Policy

The Government of West Bengal expected to consider the proposals ma by these and other business organisatio and announce its industrial policy clearl so that it will help to promote a larg flow of investment in the State. Whi the economic policies of the Governme of India have a great deal to do with th investment outlook in West Bengal, th State Government can, even with limite powers, contribute substantially to th development and diversification of i dustries. For this purpose it is necessa for Government and industry to work t gether in close cooperation with eac other. But it is surprising that at prese neither the State Government nor th business organisations have reliable dat regarding the amount of investment mad in West Bengal by the private sector o new projects in the last five years. No do they seem to know how many new in vestment schemes are now pendin clearance from New Delhi. In drawin up the State's five-year plans the privat sector does not seem to have any voic at all.

Both Government and industry therefore should adopt a new approach i their relations to each other. Th Government should take the private sector into confidence in preparing its deve lopment schemes especially those relatin to power. Businessmen also should b specific and realistic in making their proposals. For example, they could suggest on what lines the economic departments of the State Government could b reorganised and the procedures simplified from the point of view of the growth of industry and trade.

There are many constraints to investment in West Bengal. While efforts shoul be made to remove them or reduce thei severity, industrialists should not wait indefinitely for ideal conditions to pre-il. In pre-Independence days Bengal ed to attract entrepreneurs on a large ile from outside the State as well as om other countries at a time when it is not the fashion to ask for or offer in- ntives or to complain about the inade- acy of infrastructure. Now that the ate has been assured of political stabi- y, the private sector should shed its yness and show greater sincerity and riousness in speeding up the industrial evelopment of West Bengal.

Tea in Crisis

HE CRISIS in Kerala's tea industry has een persisting for a long time and, ccording to the latest reports, a few ardens have been closed while some ave taken up the cultivation of other lantation crops. In the first four onths of 1981, tea production in erala is estimated at 9.36 million kg ompared to 14.86 million kg in the milar period of last year. The Tea oard, at its quarterly meeting held at ibrugarh on June 25 and 26, consider- d the problems of the gardens in Kerala nd entrusted the United Planters Asso- iation of South India (UPASI) to repare a revival scheme.

The Tea Board seems to have a ommon approach to deal with situations f this kind. It just looks on when the ardens become sick and then appoint firm of consultants to find out why it appened. The firm submits its report the Board and the latter passes it on to dyog Bhavan for its information and ecessary action. Months and even ears pass before the Commerce Minis- y begins to take serious notice of it. his is what has happened to the tea dustry in Darjeeling where the estates ave been passing through hard times r about a decade. The only difference the Board's approach to Darjeeling d Kerala is that while, in the case of e former, a firm of consultants was ked to prepare the revival scheme, for erala this job has been entrusted to PASI. But, so far as the Commerce inistry is concerned, it seems that it will deal with the report in its usual leisurely way, whether it is submitted by a firm of consultants or by an association of the industry.

The Board at its Dibrugarh meeting decided to enhance the amount of loan for the gardens in the plains from Rs 20,000 per hectare to Rs 25,000 and for those in the hills from Rs 30,000 to Rs 35,000 under the plantation finance scheme. It was also decided to adopt a liberal view, within the existing framework, in providing loans to the marginal and financially weak gardens. Further, the Board recommended that a tea development fund should be set up out of the profits earned by tea companies during their years of prosperity to meet their needs during the difficult years. The increase in the loan amount for replanting, replacement extension planting has been long over-due. But the industry can make the best use of this faculty only if, at the same time, the tax burden is reduced and rationalised and the tea companies are enabled to generate more resources of their own. The proposal to have a development fund has been under consideration for the past few years but it is not known whether there is unanimity on this issue within the industry itself.

It is not clear from newspaper reports whether the Board, at its meeting at Dibrugarh, considered the problems of the industry in Assam and made some proposals to strengthen its viability. The gardens in Assam also have facing the same difficulties as in other parts of the country, arising from the high costs of production and the low level of earnings. In addition, the industry in Assam has been affected by changes in the climatic conditions caused by deforestation. As a result, the productivity in certain districts has suffered. According to the Assam Tea Planters' Association, "the subdivision of Jorhat and Golaghat known as quality belt, used to get at least 50 paise to a rupee more per kg in the auctions at London and Calcutta but this difference has gone and the cushion which used to offset the lower productivity of these subdivisions has also disappeared". The Assam Tea Planters' Association has made several suggestions to improve the industry's profitability and these should be considered sympathetically in view of the State's substantial contribution to India's tea production.

Meanwhile, the total tea exports from India in the first four months of 1982 are estimated at 49 million kg compared to 83 million kg in the similar period of the last year, the value coming down to Rs 89 crores from Rs 146 crores. The Commerce Ministry therefore should speedily implement the decisions taken at Dibrugarh and also adopt other effective measures to step up the production and exports of tea.

NOTICE

Due to increase in foreign postal rates the foreign subscription rates of EASTERN ECONOMIST have been revised as follows :

ANNUAL (Surface Mail) : $ 50 or £ 25

CHIEF EXECUTIVE

Indian Overseas Bank

Good people to grow with

BANKERS
ASIAD 82

HIGHLIGHTS OF PERFORMANCE, 1981

- Global deposits and other accounts increased from Rs. 1506.4 crores to Rs. 1950.0 crores or by Rs. 443.6 crores.
- Deposits in India rose from Rs. 1174.2 crores to Rs. 1422.8 crores or by 248.6 crores.
- The Bank's growth rate in deposits in India between the last Fridays of 1980 and 1981 at 22.9% was higher than the System's (17.7%). The Bank's market share of deposits more than doubled to 3.09% during 1969-1981. 29% of the Bank's deposits as of end 1981 came from Rural and Semi-urban branches.
- Advances expanded from Rs. 975.2 crores to Rs. 1338.1 crores globally and from Rs. 702.0 crores to Rs. 851.7 crores in India.
- In credit extension, almost all the national norms were met according to schedule. Advances to priority sectors crossed the Rs. 300 crore mark taking the ratio of priority credit to total credit from 35.0% to 37.3%. Agriculture absorbed 48.4% of priority credit. Small and marginal farmers received 56% of the direct lendings to agriculture. Advances under DRI Scheme continued to be above the 1% norm.
- In the execution of the District Credit Plans, the Bank surpassed the target by 72%.
- 78 new branches were opened in India during the year of which 71 (or 91%) were located in rural or semi-urban areas. Including the 11 branches abroad, the Bank had 897 branches as of end 1981
- Operating profits grew by 38.3% compared to 20.0% last year. Out of the net profit of Rs. 4.5 crores, Rs. 3.0 crores was transferred to Reserve Fund, taking the Capital Funds of the Bank to Rs. 20.7 crores.

CONDENSED STATEMENT OF CONDITION

Rs. crores

CAPITAL & LIABILITIES			PROPERTY & ASSETS		
As on 31.12.1980		As on 31.12.1981	As on 31.12.1980		As on 31.12.1981
10.0	Capital	10.0	231.8	Cash in hand & with Banks	270.2
7.7	Reserve Fund & Other Reserves	10.7	2.9	Money at Call & Short Notice	2.0
1506.4	Deposits & Other Accounts	1950.0	392.0	Investments	444.8
153.0	Borrowings	174.9	975.2	Advances	1338.1
33.2	All other Liabilities	46.6	108.4	All other Assets	137.1
238.6	Contra Accounts	279.1	238.6	Contra Accounts	279.1
1948.9		2471.3	1948.9		2471.3

IOB/23/82

Economic Discord in the West

London

V. R. Bhatt

HE PRICE of gold per ounce fell below ne critical 300 dollar mark in the London iold Market in the third week of June, fall of 100 dollars since the beginning f the year. Gold has been the magnet nd the refuge for floating money during eriods of international turmoil and omestic political upsets. After the Rusian military intervention in Afghanistan nd the risk of Soviet-American confronation, the gold soared to 860 dollars n ounce. Today despite the Israeli inasion of Lebanon and the revival of he cold war between the USA and the JSSR, the fall below 300 dollars may be olitically reassuring but economically s a warning that the world economy is n a state of confusion if not in continung crisis. Another sign of the economic nalaise is the widening of protectionism, enerating new strains in the developed vorld.

Decline of Gold

The decline of gold is attributed to the enewal of the rise of American interest ates which had been declining but have iow shot up to 16 per cent. In the heylays of the galloping inflation of gold orices, the metal was a good investment out the American interest rates are today better proposition for petrodollars nd other currencies. But the influx of oreign currencies into the American noney markets raises the value of the lollar vis-a-vis other currencies which affects the rest of the world in two ways. t means higher prices for oil which are ixed in dollars and, second other countries are compelled to keep their interest ates not too below the American to avoid currency depreciation and its unwelcome consequences. The prospects of a fall n the American rates are considered dim in Europe despite the cut in American budget deficit to 103.9 billion dollars because this still involves massive borrowing by the American Government which would keep interest rates high. The Wall Street's verdict of the USA's prospects of economic revival has been signalled to the world by the fall of share prices to the lowest in two years as its estimate of the deficit is $130.15 billion.

Gloomy Forecast

The American Stock Market guru, Joseph Granville whose assessments of American economic trends have been sensationally correct and which are closely followed in Europe has predicted that the Dow-Jones index of share prices on the Wall Street which have fallen from 1024.5 in April 1981 to 792 in June would sink to 550-650 in the course of the year.

The economic summit in June in Versailles of USA, Japan, West Germany, France, Britain and Italy which has been described in the *London Times* as a "consensus of the impotent" is also responsible for the gloom in Europe. No progress was made in getting a commitment from President Reagan of American intervention in exchanges to stabilise currencies and to moderate interest rates. On the other hand what emerged was that the market forces will rule supreme which is what the President has been preaching to his Western partners and the Third World.

In this connection, it is interesting to note the conclusions of the OECD Council meeting at ministerial level in May. On the subject of "high interest rates and international tensions", it said: "Contrary to previous experience, interest rates have remained high relative to inflation, thereby adding a new factor to public sector deficits and restraining demand in the private sector. Ministers recognised the variety of reasons for currently high interest rates, noting in particular the impact of large budget deficits and uncertainty about the future course of fiscal and monetarist policies. While recognising the importance of the anti-inflationary policies in the USA, many felt that more action should be taken to reduce future budget deficits considerably in order to ease pressure on interest rates and saving flows."

The manifestations in Western Europe of the cold winds blowing from across the Atlantic have been many. In Britain the expected jump in share prices after the Falkland victory of the British Task Force did not materialise. On the other hand shares dropped five per cent and are still dropping and Government stocks followed suit due, according to pundits, to high Amerian rates.

Peak Unemployment

The unemployment total reached 3,061,229 which is 12½ per cent of the working force and the highest in any EEC country except Belgium. Industrial relations are in a critical stage with the strikes on the underground transport systems in London, on the railways throughout the country and in the national health services. But Mrs Thatcher, if she calls a mid-term election, is most likely to win from the popularity she has gained from the Falklands victory and public anger against the Labour Party and the Trade Union over the strikes.

The most sensational development in Europe following the Summit is the collapse of the brave new reflationary polcies of Socialist France, the blame for which cannot however be put wholly on American policies. President Mitterand's job-creation policies by reducing work times side by side with alround increases in wages had fuelled inflation (currently at 14 per cent) which required drastic measures. These came in the second devaluation of the French Franc by 5.75 per cent (which comes to 10 per cent against France's major industrial competitor West Germany) and an about-turn of the Government's reflationary policies which were out of tune with other Western countries' deflationary monetarism. Prices and wages have been frozen from July 1 for four months which has angered both trade unions and the employers. Other austerity measures include a cut of 3.8 billion dollars in the budget deficit and a reduction of 5.7 billion dollars in the social security and unemployment funds, all aimed at reducing the money supply. This is a sharp shift to monetarism from the adventurous reflation, a retreat from economic socalism to economic conservatism. The Chairman of the Parliamentary Finance Commission the socialist Mr Christian Pierret blames the USA: "It is not so much our failure but the refusal of the Reagan Administration to get the American economy moving".

Reagan Earns 67 Times as Much as Indira

President Reagan, with an annual salary of $200,000, makes 2.2 times the pay af France's Francois Mitterrand and 67 times the salary of India's Indira Gandhi.

World Paychecks, a new book by David Harrop, reported that Reagan's salary was the highest of any elected official in the world. But, Harrop added, the President's pay is "low when measured against that of thousands of business executives, lawyers, doctors, entertainers, criminals and others."

Most heads of State, like Reagan, get free housing. Some of their yearly salaries are:

United States, President	$200,000
West Germany, Chancellor	$126,000
Australia, Prime Minister	$117,913
Japan, Prime Minister	$ 92,690
France, President	$ 90,000
Canada, Prime Minister	$ 53,760
United Kingdom, Prime Minister	$ 53,702
New Zealand, Prime Minister	$ 49,876
South Africa, Prime Minister	$ 45,150
Italy, President	$ 24,000
China, Premier	$ 3,828
India, Prime Minister	$ 3,000
Sri Lanka, President	$ 243

(U.S. News & World Report, June 7, 1982)

Italy has also had to devalue the Lira by 2.75 per cent while the Mark and the Dutch Guilder have been revalued by 4.25 per cent. Britain is not in the EEC monetary system but the Pound has been falling against the Dollar.

Strained Relations

The relations between Western Europe and the USA strained by Reagonomics of high interest rates and budget deficits has been worsened by two Washington moves, one protectionist and the other political. The protectionist measure is the imposition of "countervailing duties" on Common Market steel exports to the USA to protect the ailing American steel industry. The EEC has threatened to take legal action under GATT as its members fear the new duties would further damage their steel industries which are big employers of labour. The American criticism of the EEC is its protectionist agricultural policy which subsidises agricultural exports to the detriment of American exports.

The political move is the American ban on the delivery of equipment to the Soviet gas pipeline from Siberia to supply West Germany and other European countries. Starting with President Carter, the USA has tried to delay or halt the pipeline which it fears would increase West European energy dependence on the Soviet Union as well as benefit Russian export earnings. The pipeline requires advanced technology of American firms in the USA, their subsidiaries in Europe and European firms using American technology on license all of whom have now been prohibited from supplying the pipeline. Soviet orders for equipment from Western Europe are worth about 4 billion dollars and the country most affected by the ban is West Germany. British companies have received 10 per cent of the orders and others include France, Italy, Austria and Switzerland. If the ban is not lifted thousands of jobs will be lost at a time when unemployment in Western Europe continues to rise.

The strongest condemnation of th Washington ban has come from Chan cellor Schmidt of West Germany wh denounced it in the Bundestag. It wa not in the interests of the West, he said and could lead to a new cold war. H disclosed that President Reagan at th Summit had not indicated that he wa about to impose the ban. America' NATO allies had not been consulted. I went far beyond the agreement reached a Versailles to "conduct East-West trade within the limits of prudence". What would develop now was a trade wa with the Soviet Union which West Germany and others involved in the pipeline project would not accept. He had n intention of abandoning the pipeline agreements with the Soviet Union and neither had the other countries involved.

The new duties on steel and the pipeline ban add upto a most serious crisis in trans-Atlantic relations for many years. There is no possibility of the West Europeans bending to Mr Reagan's dictat. Norway, though not involved in the pipeline project has rejected an America equest to increase its North Sea gas xports to Western Europe to obviate he need for the pipeline. Japan deeply nvolved in the pipeline will support the Vest Europeans. All signs point to liscord among the Western allies.

The Canadian Dilemma

CANADIAN ECONOMIC policymakers are faced with a number of extremely hard choices. The recession currently gripping the United States has had an even stronger impact on the Canadian economy. March industrial production in Canada was 11 per cent less than the 1981 peak. Unemployment has risen to 10.2 per cent, and unlike the US experience, inflation has stayed stubbornly high, with the April consumer price index up 11.3 per cent over the past twelve months and wage increase from recent settlements tending around 12 per cent. As a result, there has been growing pressure on the Trudeau Government to take some policy action to get the economy moving again.

With high interest rates an obvious barrier to economic recovery, one suggested line of departure has been a loosening of the links between the US and Canadian monetary policy. The exchange market—already nervous because of the widening differential between the US and Canadian inflation and worsening prospects for resource prices—has responded with a sell-down of the Canadian dollar. As a consequence, the exchange rate has reached historic lows in spite of persistent large-scale intervention by the Bank of Canada.

This recent weakness of the Canadian dollar underscores the policymakers' dilemma, A decision to adopt a "made-in-Canada" interest rate policy would almost certainly prompt a further selloff of the Canadian dollar, higher inflation, and ultimately, renewed upward pressure on interest rates. Yet, maintenance of a significant spread between Canadian and the US interest rates, while implying a relatively stronger exchange rate and relatively lower inflation, threatens the possibility of a continued slide in output and employment if the US interest rates do not fall soon.

Given these circumstances, the Government is now signaling that the policy package likely to emerge soon will not represent a basic change from current policy. The most likely elements of the package are guidelines or controls over public-sector wages and some relaxation of the controls over foreign investment. How the exchange market will react to the package when it appears is uncertain. A clear rejection of the idea of an independent monetary policy will make for a less one-sided market for the Canadian dollar. But a package that offers little evidence of increased resolve to reduce the inflation differential between Canada and the United States would tend to confirm the bearish sentiments that now dominate.

The Rising Cost of Development Aid

Someshwar Dayal Singh

OFFICIAL DEVELOPMENT Assistance from the group of developed nations comprising the Development Assistance Committee (DAC) in 1981 fell by four per cent below the level of 1980 in real terms. The total disbursements amounted to $25.5 billion as against $27.2 billion in the previous year. As a share of DAC members' gross national product (GNP), ODA declined from 0.38 per cent to 0.35 per cent.

But the total flow of financial resources from DAC countries in 1981, however, at $81.4 billion, was higher by $8 billion than the outflow in 1980. From 1.05 per cent of their GNP in 1980, it rose to 1.13 per cent. This was almost completely accounted for by a sharp increase in the share of private flows. In fact, while the share of private flow in total flows increased from 54 to 60 per cent, that of Official Development Assistance

TABLE-I

The Financial Terms of Official Development Assistance Commitments 1980 and 1981*

Countries	ODA Commitments as % of GNP	
	1980	1981
Australia	0.51	0.52
Austria	0.29	0.48
Belgium	0.66	0.78
Canada	0.43	0.54
Denmark	0.81	0.81
Finland	0.36	0.37
France	0.85	0.96
West Germany**	0.76	0.68
Italy	0.33	0.46
Japan	0.43	0.43
Netherlands	1.30	1.11
New Zealand	0.35	0.28
Norway	0.78	0.82
Sweden	0.71	0.84
Switzerland	0.18	0.34
United Kingdom	0.57	0.36
United States	0.25	0.25
Total DAC	0.47	0.46

*Including debt relief **Excluding debt relief.

Malaysia to Rethink Development Plan

The Government of Malaysia is being forced to back away from the expansionary fiscal policies that have characterized its development strategy in recent years. Persistently depressed commodity prices have resulted in widening budget and balance-of-payments deficits, putting pressure on the authorities to adopt a more austere development programme—at least for the time being. The Government has just announced that it intends to cut 10 to 20 per cent from this year's programme. Defence spending is likely to be a prime target, but even Government food and housing subsidies could be trimmed. In addition, some of the capital-intensive, heavy industrial projects are expected to be delayed or even scrapped in an effort to adjust to the adverse external circumstances.

declined from 36 to 31 per cent and of other official flows from 7 to 6 per cent.

This changing pattern of the flow of resources reflects an increasing recourse to borrowings at market rates of interest, thereby imposing greater debt and debt-servicing burden on the developing countries. Bank lending, as a component of private flows, for example, shot up from $17.7 billion in 1980 to $26.2 billion last year. Over the decade, the share of private sector claims, all at market terms, in the total debt owed to DAC countries has actually risen from one-quarter to over one-half.

In relation to their total exports of goods and services, the burden of debt service payments of developing countries rose significantly in 1981-82. The countries most affected by an increased debt service burden were, first, several newly industrialising countries whose exports suffered from world economic conditions

Brazilian Inflation and Trade Balance

Brazil is making steady progress both in reducing its high Inflation rate and in maintaining a foreign trade surplus position. Since late 1980, Brazilian economic policy has been shaped to lower inflation and improve the balance of payments through curtailing aggregate demand—and the Government's efforts are at last beginning to yield the desired results. In the first five months of 1982, the annualised rate of inflation dropped to 91.2 per cent, down significantly from 1981's 120.2 per cent. In addition, over the same period, Brazil maintained a foreign trade surplus of $223 million. These gains, however, have been accompained by a necessary slowing of economic activity. Last year real GDP declined a record 1.9 per cent and thus far this year there has been only slight evidence of recovery. The latest reported data show small increases in industrial activity and purchases of consumer durable. If these sectors continue to strengthen, the likelihood of positive economic growth for 1982 could be assured.

TABLE II

The Net Flow of Financial Resources from DAC Countries

	$Million			Percentages		
	1970	1980	1981	1970	1980	1981
I. Official Development Assistance	6,949	27,256	25,461	44	36	31
1. Bilateral grants & grant-like flows	3,321	14,137	12,954	21	19	16
of which: Technical Cooperation.	1,524	5,475	4,775	10	7	6
2. Bilateral Loans at conncessional terms.	2,351	3,985	5,182	15	5	6
3. Contributions to Multilateral Institutions	1,277	9,135	7,323	8	2	9
of which to: UN	371	2,170	(2,223)	2	3	3
EEC	158	1,575	1,569	1	2	2
IDA	582	3,101	(2,444)	4	4	3
Regional Dev. Banks.	101	1,641	(1,000)	1	2	1
II. Other Official Flows	1,122	5,280	(4,862)	7	7	6
1. Bilateral	845	5,386	(4,848)	5	7	6
2. Multilateral	276	— 106	(14)	2	—*	—*
III Private Flows	7,018	41,213	(49,064)	44	54	60
1. Direct Investment	3,690	9,474	(11,292)	23	12	14
2. Bilateral Portfolio*	697	17,702	(26,218)	4	23	32
3. Multilateral Portfolio**	474	1,469	(2,462)	3	2	3
4. Export credits	2,157	12,568	(9,092)	14	17	11
V. Grants by Private Voluntary Agencies	860	2,371	(2,040)	5	3	3
Total Net Flow	15,948	76,120	(81,427)	100	1	100
Total Net Flow in 1981 Prices	40,684	73,903	(81,427)	—	—	—

*Mainly bank lending. **Mainly bond lending.

and whose debt was largely on floating interest rates; second, lower income countries whose price level decreased in 1981-82; and third, several oil exporting countries, in view of decreasing oil export earnings.

Amongst the DAC donors, the EEC countries have contributed the maximum of ODA during the Seventies and last year, with the exception of the Nordic countries, were the only ones to actually increase the level of ODA. The USA, Japan and other countries gave less ODA than in the previous year.

Dollar Appreciation

Conventionally, the ODA from various countries is calculated by converting national data into US dollars using current exchange rates. And the dollar appreciated markedly against most member currencies in 1981, on average by 13 per cent. This explains, to a large extent, the apparent decline in ODA by $1.8 billion. For at constant exchange rates, DAC ODA rose by 6 per cent, which was slightly below the rate of inflation calculated for the member currencies combined.

Destination-wise, the share of ODA from DAC increased during the Seventies to the least-developed countries (LDCs) and was 22 per cent in 1980. The low income developing countries, including India, accounted for one-third of the DAC ODA. India alone accounts for 30 per cent of the total developing countries' population, and some nine per cent of the total ODA.

Sector-wise, well over two-thirds (72 per cent) of bilateral ODA in 1980 was directed to development of specific sectors in developing countries. The remainder was for general development purposes, consisting in particular of food aid (7 per cent), finance for imports (9 per cent), postponement or cancellation of debt service obligations (5 per cent) and emergency assistance.

The tables given provide a glimpse of the flow of financial resources from the DAC member countries, the latter's commitments, and the outstanding debt burden and its servicing by the developing countries.

TABLE III

Total Disbursed Debt of Developing Countries At Year End, During* 1971-1981 (By Source of Lending)

($ billion

Source of Lending	1971	1975	1980 Prel.	198 est
1. DAC Countries and Capital Markets	68	138	356	39
—ODA	24	34	56	5
—Total export credits	28	45	120	13
—Capital markets*	17	58	180	21
2. International organisations	10	22	56	6
3. CMEA countries (excl. China)	6	9	16	1
4. OPEC	—	6	18	2
5. Other LDCs (incl. China)	2	4	9	1
6. Unspecified and adjustments	1	2	4	
Total**	87	180	459	52
Annual nominal increase %	(16)	(24)	(16)	(14

*Bank loans (other than export credits), bonds and other private lending.

**Of which debt of non-OPEC LDCs ($ billion)	73	149	381	43

TABLE-IV

Total Annual Debt Service of Developing Countries During 1971 to 1981 (By Source of Lending)

($ billion

Source of lending	1971	1975	1980 Prelim	1981 Est.
1. DAC Countries and Capital Markets	9.2	22.5	78.9	95.6
—ODA	1.4	1.8	2.9	3.0
—Total export credit	5.1	11.0	30.5	36.6
—Capital markets*	2.7	9.6	45.5	56.0
2. International organisations	0.9	1.7	4.6	5.8
3. CMEA countries	0.6	0.8	2.1	2.5
4. OPEC	0.1	0.2	1.8	2.2
5. Other LDCs	0.1	0.4	1.1	1.2
6. Unspecified and adjustments	0.2	0.6	1.3	1.4
Total**	11.0	26.2	89.8	108.7
Annual nominal increase %	(16)	(19)	(22)	(21)
of which ($billion)				
—Interest	3.3	9.5	34.9	45,5
—Amortisation	7.7	16.7	54.9	63.2

*Bank loans (other than export credits), bonds and other private lending.

**Of which non-OPEC LDCs ($billion)	8.8	21.0	67.6	82.5

Point of View

Small is Viable—A Critical Study of Small Industries

A. K. Rajula Devi

The author feels that time has come to take a fresh look at the policy parameters governing small-scale industries which make a substantial contribution to industrial output of the country. The problems faced by them are increasingly getting complex and the entrepreneur has to face a maze of regulatory measures which are proving a hinderance to industrialisation. A workable policy would be to allow freedom to the entrepreneur and trust him. Too many regulations generate an atmosphere of mistrust and fear.

THE EMPLOYMENT potential of small-scale sector has led to the emphasis on provision of gainful employment opportunities through expedious development of small industries. It has been calculated that for every worker employed in the small-scale sector, an investment of only Rs 5,800 is required against Rs 30,900 in the large-scale sector. Further, the close interaction between the agricultural and industrial sector of the Indian economy cannot be over-emphasised. The role of the small sector, which is labour-intensive and capital saving, has therefore, been rightly emphasised in the Industrial Policy Statements (1956 and 1980), especially in the context of the economy where there is large-scale unemployment and most of the entrepreneurs are capable of pooling only small investment and there is dearth of sophisticated machines and modern technology. Other factors which weigh in favour of small industries are their capacity to attract savings and divert them into productive channels and their adaptability to rural and semi-urban areas where infrastructure is not fully developed.

The number of registered unemployed persons was 5.19 million in 1971-72 and it went up to 12 million in June, 1978. But registered unemployment does not reflect the real picture. Unemployment which was estimated at 5.3 million in 1956 had risen to 20.74 million in 1980. Of these more than 16 million are in the rural areas. During the Sixth Five-Year Plan, 34 million more people would enter the workforce. According to the National Sample Surveys on household consumption expenditure, more than 50 per cent of the population in rural areas is living below the poverty-line. Against 25 per cent of the population engaged in rural crafts, industries and occupations at the beginning of the century, at present only 10 per cent of the population is engaged in manufacturing and processing activities, including the organised sector. In the USA the ratio of unemployment to total labour force is 5.2 per cent, in Britain 3.3 per cent and in Japan 1.3 per cent[1]. The present high unemployment ratio is an indication of the magnitude of the problem which warrants immediate action, as it will eat into the very vitals of our economy through social conflicts, poverty and low productivity.

Aim of Planning

The Sixth Plan (1980-85) estimates the labour force on the basis of usual status participation rates for the age-group 5 and above at 268.05 million in March 1980, raising it to 302.29 millions in 1985; an annual increase of 2.43 per cent. The backlog of unemployment in 1980 and net additions to labour force 1980-85 (usual status basis) has been estimated for the +5 at a backlog of 12.02 million and a net addition during 1980-85 of 34.24 million, making a total of 46.26 million seeking employment by the end of 1985. The aim of planning is to fix maximum employment for those seeking employment during the Sixth Plan period; yet it has been explained in paragraph 13.17 of the plan as: "At the present rate of growth, the organised sector can provide only four to five million regular additional jobs in the course of the Sixth Plan period. This would still leave large numbers for absorption in agriculture, small-scale sector and other unorganised activities. While as a long-term strategy we may rely upon the secondary and tertiary sectors for sustaining greater labour absorption, appropriate short-term measures are essential in order to mitigate distress resulting from conditions of unemployment and under employment."

Under-Estimates

This analysis will show that the capacity of what is called the secondary and tertiary sectors to provide employment for those seeking employment has probably been underestimated. What the country desperately needs is a strengthening of the two ends of the industrial spectrum—large-scale enterprises to provide the country's infrastructure to generate employment and economic self-reliance and the small and cottage sectors to disperse income and productive employment as widely as possible.

The Government, immediately after attaining independence, laid down its basic policy regarding industrialisation in the first Industrial Policy Resolution of 1948. Subsequently, the industrial policy had been spelt out more clearly and elaborately in terms of the role of different sectors—public, private and co-operative sectors, village and cottage industries sector, medium and large industries sectors—and also stressed the need for balanced development of agricultural and industrial sectors in the second Industrial Policy Statement of April 30, 1956 which remained in force until December, 1977. The industrial policy as announced on December 23, 1977, was not different from that of the previous Government except that it placed greater emphasis on the development of small and cottage industries which have the maximum potential for employment generation. While reaffirming its faith in the Industrial Policy Resolution of 1956, the Government of India announced its future Industrial Policy on July 23, 1980, wherein small industries have been redefined in terms of their investment limit which has been raised from Rs 10 lakhs to Rs 20 lakhs. The limit in the case of ancillaries has been raised from Rs 15 lakhs to Rs 25 lakhs, and that for tiny units from Rs 1 lakh to two lakhs. To provide a positive thrust to dispersal of industrial investments the concept of "economic federalism" would be promoted, particularly in the industrially backward areas where "nucleus plants" would be set up to generate "as many ancillaries as possible."[2]

The number of registered units increased from 42,000 in 1960 to 3,21,000 in 1978 giving employment to 32 lakh persons and accounting for a production of Rs 85,000 crores.[3] Apart from the registered units, there are a large number of unregistered units. It is estimated that the total number of small units (both registered and unregistered) coming under the purview of the SIDO increased to more than five lakhs by 1979-80, involving a work force of 64.6 lakh people and a gross production of Rs 19,060 crores constituting almost 51 per cent of the total industrial production in the country.[4] Thus the small sector has given a great impetus to India's emergence as the world's tenth most industrialised nation. Both in terms of quantity and variety small industries have come to occupy a prominent place in the national economy. From only 16,000 units in 1950, the number of small enterprises has swelled to eight lakhs, 3.86 lakhs of them registered with the authorities, the rest being non-registered.[5] Also it is worthwhile to note that about 6.9 lakh units are maintaining bank accounts.[6] The figures shown in Table I indicate the progress of the small sector in the last few years.

The data presented above relates to units registered with the State Directorates of Industries. The number of small units registered with State Directorates of Industries, has increased from 2.91 lakhs in 1977-78 to 3.26 lakhs in 1978-79. During the same period, the value of production increased from Rs 7570 crores to Rs 8500 crores; fixed investment from Rs 2140 crores to Rs 2411 crores and employment from 29.0 lakhs to 31.9 lakhs. A study of the data available from various sources has revealed that a substantial number of small-scale units do not get themselves registered with the State Directorates of Industries. Since the Annual Survey of Industries confines its information on the factory sector only, data from other sources in respect of the non-factory sector has been taken into account to work out the production figures in respect of the small sector as a whole. The trends in industrial production in the small and large-scale sectors would be evident from Table II.

It can be seen from Table II that the total production in the small-scale sector was of the order of Rs 15,700 crores in 1978 compared to Rs 14,000 crores in 1977 and Rs 12,400 crore in 1976.

TABLE I

Progress of Small Scale Sector

	1974	1975	1976	1977	1978
(a) No. of units (In lakhs)	2.16	2.39	2.64	2.90	3.26
(b) Employment (In lakhs)	21.6	24.0	26.8	29.0	31.9
(c) Fixed Investment (Rs Crores)	1448	1673	1924	2140	2411
(d) Gross output (Rs Crores)	4932	5742	6700	7570	8500

Source : Report of SIDO (1979-80) DC (SSI), Government of India, page 25.

TABLE II

Production of Small Scale Sector: 1972-7

(Rs crores

Year	SSI Regd.	SSI un-* regd.	ASI GT
1972	2900	2610	550
1973	3420	3080	617
1974	4932	4270	790
1975	5742	5260	930
1976	6700	5700	1190
1977	7570	6430	—
1978	8500	7200	—

* Includes non-GTD industries, min ing & Electricity and gas supply.

Source : Report of SIDO (1979-80) D (SSI), Government of Indi page 27.

Even more than the increased produc tion, the diversity of products and equip ment made in the small-scale sector ha in effect been spectacular. In the field consumer electronics, the small sect contributed nearly 70 to 75 per cent the total production in the country. Th growth is mainly attributed to the su stantial increase in the production of T sets, tape recorders including its comb nation with radios, amplifiers and publ address equipments. In many of the areas, the production of small-scale uni has surpassed the production in t organised sector. In the New Industr Policy Statement of December 1977, t Government had reserved as many as 8 items for exclusive production in t small scale sector. Today, there 140,000 small-scale industries in Ind manufacturing 2,400 products rang from sophisticated electronic and mec nical components to handicrafts[7].

The achievement of the small sector the field of export of electronic go has been quite significant. There are present more than 30 units in the sm sector exporting various electronic p ducts such as radios, tape recorde cassette players, oscilloscope, power s pliers, electronic lantern, electronic c ponents like silver mica capacitors, c nectors, etc. to countries like W

Germany, the UK, Canada, West Asia, African and East European countries.

The small-scale sector has emerged as a major supplier of mass consumption items like leather and leather goods, plastics and rubber goods, ready-made garments, sheet metal goods, soaps and detergents, tooth paste, safety matches, pressure stoves, pressure cookers, padocks and agricultural implements like orks, hoes, levellers, movers, pickers, seed treaters and seed bins.

A large number of small-scale units ave come up for manufacturing various quipments like transmission line hardware, control panels, LT switchgears, lectric motors etc. The small-scale ector successfully manufactured transormers upto 5 MVA with operating volage of 33/36 KV. Glassmetic terminals, components used for refrigerators and ir-conditioners is being manufactured in his sector. In order to protect this ector, the import of glassmetic terminals has been placed under the anned list.

Watch Industry

Even though horological industry is of ecent origin in India, the small sector as been assigned the role of assembling .6 million wrist watches for the indigenus market as against the overall demand f 10 million wrist watches[8]. So far 78 mall-scale units have been approved for ssembly of wrist watches and manufacre of components with an installed apacity of 3.54 million pieces and 36 nits have actually started producing mponents and assembling wrist watch. . The total production of wrist watches the small sector constitutes around 33 r cent of the total watch production the organised sector units. Out of 7 items reserved for the exclusive devepment in the small-scale sector, 370 ems fall under the engineering induses and 20 are related to sports goods, C footwear, etc.

The rate of expansion has been so ectacular in recent years that while e industrial sector as a whole was able achieve a compound growth rate of e per cent, the small-scale sector has own at a compound rate of 11 per cent. e rate of growth has further increased now to 17 or 18 per cent. The value of the output of this sector has gone up from Rs 11,000 crores in 1975-76 to almost Rs 21,000 crores in 1979-80.[9]

TABLE III

Share of Small-scale Sector in Exports

Year	Total Exports from India	Exports of Small Industry Products	Percentage Shar of Small-scale sectors in to Exports
	(In Rupees)		
1976-77	5,142.71	765.83	14.89
1977-78	5,407.87	844.82	15.62
1978-79	5,726.26	953.55	16.65
1979-80	6,424.57	1,043.55	16.24

Source: Ministry of Commerce and Export Promotion Councils

An important tool in the growth of the small industries has been the Industrial Estate Programme. Beginning in 1955, India has today about 800 industrial estates all over the country with over 13,467 units providing employment to nearly 300,000 persons and accounting for an annual output of Rs 800 crores.[10]

Even in regard to exports, small-scale sector contributes directly more than Rs 800 crores, that is 18 per cent of the total exports of the country. From less than 10 per cent share in exports in 1971-72 it has increased to almost 20 per cent.[11] The exports of small industry products, as revealed from the information collected from Export Promotion Council, amounted to Rs 844.82 crores in 1977-78. This has increased to Rs 941.63 crores in 1978-79 showing a rise of 11.46 per cent. Table III shows the share of small industry exports in the total exports of the country.

Apart from the above, products of a large number of small units are exported indirectly through merchant exporters, export houses and other channels. Small industries made a significant contribution in the exports of non-traditional items which are estimated at about 40 per cent of the total exports made from the country.

Nearly 70 lakh persons are directly employed by the small sector, and they make up 38 per cent of the country's total industrial employment. It has a share of 40 per cent in the industrial output of units regulated by the Directorate-General of Technical Development. The total full time and part time employment in small-scale and village industries is estimated at over 40 million[12]. The modern small-scale sector with nearly 300,000 registered units—35 per cent of them in rural areas—provide gainful employment to nearly three million people which is the biggest single group covering 380 items reserved for small sector, and accounts for 50 per cent of the total employment. Cotton and woollen hosiery units employ about 250,000 persons. Leather industry provides employment to over 12 lakh

TABLE IV

Employment Provided by the Decentralised Sector—1979-80

Segment	Employment in lakhs
Small-scale units under purview of SIDO (registered & non-registered)	67.00
Handlooms	61.5
Khadi (full time and part time)	11.2
Village Industries (full time and part time)	18.2
Handicrafts (full time and part time)	20.3
Sericulture	16.0
Coir	5.0

Source : The Sixth Plan, 1980-85, Government of India.

ersons. Employment opportunities upto 0 per cent are created by cottage indus- ies, 17 per cent by organised small- cale industries and three per cent by arge industry.

Likewise the food processing industry s widely spread, having in its fold small cale bakeries, household units, fruit and egetable processing units, confectionaries nd sea food manufacturing units, all of them together employing nearly 10 akh persons. Under ceramics industry omes nearly 30,000 bricks and tile manu- acturing units, refractories and glass and glass products manufacturing units. They are estimated to employ 6-8 lakh persons. Among important village and cottage industries, coir provides employment to five lakh persons, carpet making to one lakh, handlooms to 61.5 lakh, pottery to eight lakh, sericulture to 16 lakh, bidi making to 7.8 lakh, agarbathi making to one lakh, cereals and pulses processing to four lakhs, oil ghanis to 2.5 lakh, sports goods to 50,000. In village industries like non-edible oil seeds, palmgur products, resin and turpentine, vegetable and fruit processing, herbal and medicinal plants, lac and shellac, mat making, fibre making, bee keeping etc. which mostly provide subsidiary employment, lakhs of people are employed on part time and seasonal basis.

Consumer Goods Industries

Apart from making a major contribution to the employment generation, the small sector is making a handsome contribution—over 40 per cent to the total value of manufactured goods in the country to meet the gigantic demand for consumer goods.

About 60 per cent of the total production in domestic electrical appliances, 75 per cent in TV sets, over 50 per cent in radios and transistors, 50 per cent in paints and varnishes, 35 per cent in dyestuffs, more than 50 per cent in plastic items, 50 per cent in bicycles and their parts, 66 per cent in laundry soap, 33 per cent in detergents and a major portion of production in about 100 items including hosiery, leather and sports goods is being contributed by the small sector in India[13].

In the First Five-year Plan, the small-scale sector had a 2.1 per cent share in an overall outlay of Rs 3760 crores. In the Second Plan it shot up to four per cent but came down to 2.8 per cent in the Third. In the three Annual Plans from 1966-67 to 1968-69, it got only 1.9 per cent of the funds. In the Fourth Plan its share dipped to 1.5 per cent and continued at the same level in the Fifth. In the newly approved Sixth Plan of Rs 97,500 crores, the outlay of Rs 1780.45 crores on the small-scale sector is about 1.8 per cent. But at the same time the outlays for the organised industries increased from 2.79 per cent in the First Plan to 24 per cent in the Fifth Plan.

TABLE V

Share of Small and Village Industries Sector in Total Industrial Production 1979-80

Industry	Production (Rs Crores)
Public Sector Enterprises	23,290
Small-scale & Village Industries	
Small Scale Industries	19,060
Traditional Industries	
(a) Handlooms	1,740
(b) Khadi & Village industries	412*
(c) Handicrafts	2,050
(d) Coir	86
(e) Silk and Sericulture	131
Total Industrial Production	46,769

*Figures relate to the units assisted by the KVIC

Source: Economic Surveys 1980-81 and 1981-82.

The credit made available to small-scale units has gone up from Rs 1040.40 crores to Rs 2066 crores during the past five years. The number of units assisted till December 1979 was 680,731. At the end of June 1979, small industry had received 23.5 per cent of bank credit going to the manufacturing sector.

Out of the total flow of Rs 23,222.54 crores from the public sector banks to the small-scale sector at the end of 1979[14], as much as 20 per cent had gone to Maharashtra alone. Madhya Pradesh, one of the largest States had a share of less than five per cent and Uttar Pradesh with 16 per cent of the nation's population had only a nine per cent share of the funds made available by the nationaalised banks to small-scale sector. In other words, the concentration of small-scale units in certain States and a few regions distorts the declared objectives of the national Plans—they were meant for mobilising resources of capital and skills in rural areas to help raise the standard of living of small entrepreneurs and to remove regional disparities through a deliberate policy of encouraging growth in villages and semi-urban areas.

Some Problems

Some of the problems faced by the small-scale sector are given below:

One of the reasons why the small-sector sometimes suffers from marketing disabilities is that they are often unable to obtain testing and quality certification. At present, the problem of quality is being tackled from two angles: First, by having as many products under ISI specifications as possible and second, to make testing facilities available to the manufacturers at the nearest places. Other assistance programmes of the Government include reservation of items fo exclusive purchase from small-scale units, price preference upto 15 per cent anc simplified procedures and formalities. The marketing function would have tc be a total exercise in developing not onl the retail outlets but also to establisl linkages with State emporia, wholesal traders and exporters as well as doin extensive market surveys to locate nev product lines for which a great deal o development efforts would be needec at national, State and district levels To provide additional marketing out lets for the products of rural artisans tiny units etc., the Government i thinking of establishing Rural Marketin and Service Centres (RMC) at the bloc level.

The problems encountered by small en terprises are becoming increasingly com plex, and the entrepreneur is often baffle by a maze of regulatory measures. Th woes of the industrialists stem from a lac of clear policy perspective. Incentives an subsidies are given as doles rather tha on the basis of a well-conceived strategy. A common view shared by entrepreneurs and those who are promoters of the growth of small-scale sector is that as long as there is no change in the attitude of the policy-makers the problems would remain unsoved. Also too many inspections and regulations from the Government side generate an atmosphere of mistrust and fear. A workable policy would be to give a long rope to the entrepreneurs and trust them. The Government should have only a minimum supervisory role. Again there is so much red tape and delay that a small entrepreneur can hardly use Government aid. Entrepreneurs are also of the view that the development of infrastructure should receive priority and the small-scale sector should have a 50 per cent share in the funds allocated for industrial growth. A major grievance of small industrialists is the discrimination in the allocation of raw materials. In the case of large industries the norm usually adhered to is multiple shift operation but small-scale sector is allocated inputs on the assumption that it operates only on a single shift-basis. It is felt that the time has come to take a fresh look at the policy parameters which in some respects have become a major barrier in the smooth functioning of small enterprises.

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Paper Industry : The Task Ahead

B. H. Lalwani

The author believes that if paper famine is to be avoided steps must be taken right away to increase its production. He suggests establishment of smaller mills in areas nearer the raw material sources and use of unconventional raw material. He warns that a paper crisis could be worse than the oil crisis as it would strike at the root of intellectual fibre of the nation.

PAPER INDUSTRY ranks among the major industries in India. The country has abundance of forest resources and chemicals like soda ash, caustic soda which has helped the industry grow to its present dimensions. Total production, however, is only 1/46 of that of the USA which is the leading producer of paper in the world. Paper is one of the necessities of civilisation and is the most vital vehicle of propagation of education. In India the impact of progress in literacy and education, social services, industries, trade and journalism during the past 5 years has led to an unprecedented increase in the demand for paper. The per capita consumption of paper in India, however, is among the lowest in the world, averaging about 4.1 lbs per year, as compared to 400 lbs in the USA and 100 to 200 lbs in Europe.

In India, bamboo pulp provides 70 per cent of the total pulp production. Lack of assured supplies of cellulosic raw materials is causing great anxiety to the industry. With the rapid growth of industry, the available resources of conventional raw materials, e.g., bamboo and sabon grass, have been nearly fully tapped. For the further expansion of the industry, greater reliance will have to be placed on bagasse, hardwood, coniferous from the Himalayan regions, agricultural residues, jute sticks and bamboo from Assam, Tripura, Madhya Pradesh, Orissa and NEFA.

To encourage the use of these alternative raw materials the Government has allowed special rebate in excise duty. Eucalyptus, of which there are 600 varieties, is used in Australia, Brazil, Portugal and Spain in the manufacture of paper. Non-wood fibres such as bagasse, cereal straws, abaca asparto grass, ratio grass, leneguan lump ken, of cotton linters, flayton and papyrus can also be used as raw materials. Paramonga mills in Peru and newsprint mills in Peru and Mexico are based on bagasse and paper making trials via bagasse route are being carried out in Europe. No company is known to be using kenaf for paper-making on a commercial scale. Smaller plants making use of these non-convential materials are advised to take special care of effluent disposal in order to ensure proper environmental protection.

The paper industry is one of those industries which illustrate the principle that pollutor pays. The pecularity of the paper industry is that because of ever-expanding markets, there are no lean periods. Compulsory primary education, literacy increases, etc, are ever present stimuli to its consumption.

With the present technology of paper manufacture, big units are not ideal. Installation cost per unit of product in the case of small units employing semi-skilled labour is less by 25 per cent than in the case of big units. Small units like those in Japan and the UK would be more profitable : special paper is being manufactured by small units. Since bamboo production has declined and ransport costs are increasing, small units based on bagasse, sabar, white rags, paper cuttings and waste cutting, grass and straw have been found to be advantageous. Their capacities may have to increase with fast changing technology. Most of the plant and machinery for the manufacture of pulp and paper are available from indigenous sources and their imports are restricted. Only items of finishing equipment not available in the country are allowed to be imported. Import of reconditioned second hand paper machinery is presently permitted for setting up small sized paper mills upto a capacity of 30 tonnes per day.

Major Constraints

The shortage of finance and shortage of raw materials are the two major constraints that are hampering the full-fledged growth of the paper industry. Large-scale pulp and paper industry is capital intensive, involving a capital cost of Rs 35 crores for a 100 tonne per day integrated paper and pulp unit. Prices of paper making machinery have skyrocked. The gestation period is 4 to 5 years in the case of newsprint mills. During the last decade or so cost of production has gone up by 35 per cent which can be reduced by modernisation of plants and regeneration of bamboo. The main disadvantage of using bamboo is its tendency to flower in drought when an earlier stand can die and take several years to be reestablished. Selection of the correct species will solve the problem. An alternative to scarce timber is ample agricultural residues and industrial waste which can be upgraded by admixture with longer fibred pulp. This could be manufactured in large mills to be set up in the Himalayan forest region and supplied to small paper mills.

The future pattern of the paper industry may well be oriented to the small-scale factory production which ultimately may prove economical. Location of mills may be shifted to foothills of Himalayan Kashmir, hills of Assam, Western Ghats, etc, as these offer good sites for paper mills. Big centres of production are likely to expand as per capita production at one-fourth of the UK is expected to go up in line with the targeted production.

New plantations for the paper industry should be raised around the existing paper mills so that optimum sized paper mills can sell paper competitively in foreign markets and provide cheap paper for domestic requirements, thus opening up a bright future for this industry. Paper industry consumes large quantities of long fibred wood. It is now possible to use short fibred wood as material for making comparable pulp and paper products.

The gap between supply and demand of paper and paper board is of the order of 50,000 tonnes and in the case of newsprint it is as much as 312,000 tonnes, which according to Government estimate will have increased to 320,000 tonnes by 1984-85 as demand would go up to 500,000 tonnes by that time. The present cost of Rs 150 crores of imported newsprint could rise to be about Rs 300 crores in view of the steadily rising world prices. The fears of a paper famine developing in the mid-Eightees are based on the realities of past experience. Not only will the impact of paper crisis be reflected on the rising import bills but also more seriously on other spheres of our life. With a literacy rate of only 30 per cent, we must in th coming years aim at a very significan spread of education at the primary an secondary levels. Shortage of pape would have a crippling effect on thes efforts.

Shortage of newsprint and its increas ing cost may well strike at the roo of the newspaper, magazine and publish ing industries in the country. Short an long-term plans must be taken up to pul the country out of the paper crisis Soft loans should be made available fo modernisation and expansion as wel as the setting up of new paper manu facturing units. New units should b eligible for excise relief. Crash program mes for the development of old as wel as new unconventional raw material re sources like Kenafarmestof, successfull used in Thailand, should be devised.

The establishment of a paper develop ment fund on the lines of the exist ing steel development and cement deve lopment funds is the first priority. Th oil crisis only hurt the economy, but paper crisis could well destroy the intel lectual and moral fibre of the nation not to speak of its devastating effect o the paper industry representing an integ ral part of our economy.

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Demand for Capacitors

ERAMIC AND electrolytic capacitors are idely used in electronic products.

Ceramic Capacitors

The present licensed and installed apacity of ceramic capacitors is 240 illion and 103 million respectively. In ddition a capacity of 165.0 million is overed by letters of intent. The total apacity earmarked for exports is 102.0 illion. Production in the organised ector during 1978 and 1979 was 75.23 illion and 78.67 million.

Shortages have developed in indigeous supply even for consumer grade pacitors. A substantial part of current roduction consists of tubular ceramic pacitors. Small production of barrier yer types, calendered, plaquatte and igh voltage types of capacitors has ome up. More capacity of these types eeds to be developed in the future. Feed rough multi-layer and high RF power b-miniature types of ceramic capacirs are not being produced. There is ope for creating fresh capacity provided ew technology is brought in and utised.

The following are the existing manucturers of ceramic capacitors:

1. M/s Bharat Electronics Ltd., Jalalli, P.O. Bangalore—Ceramic Capacirs upto 1 mfd, tolerance—20 per cent +80 per cent and upto 10,000 VDC.

2. M/s Central Electronics Ltd, Indusal Area, Sahibabad, Ghaziabad—(a) igh Voltage disc capacitors 100 PF to 000 PF-1 KV to 4KV (b) Ceramic Minibular capacitors 2.2 PF to 470PF ±10 r cent 500 V. (c) Ceramic tubular pacitors 9.2PF to 470PF ±10 per cent 0 V. (d) Ceramic Disc capacitors.

3. M/s Philips India Ltd, Shiv Sagar Estate, Block 'A' Dr Annie Basant Road, P.B. No. 6598, Bombay. (Unit in Poona)—Tubular ceramic capacitors 22 to 220 PF 160 VDC tolerance up to ±10 per cent for value 10 PF. Upright mounting ceramic capacitors 220-470 PF 125 VDC tolerance upto ±10 per cent, Midget. ceramic capacitors 47-200 PF 63 VDC tolerance ±10 per cent. Upright mounting ceramic capacitors (pin-up type 4 to 8200 PF, 500 VDC tolerance up to ±20 per cent, Starter capacitors (ceramic 5.6 kpf, 250 Vac or 500 VDC tolerance 20 to 50 per cent, Mini pinup type ceramic capacitor 125 VDC 8.2 K-22 K tolerance 20 to +50 per cent 680 to K tolerance +20 per cent feed through version 3.3—4700 PF 350VDC tolerance upto a maximum of 50 per cent.

4. M/s Punjab Electronics Components Ltd, A28 phase III, Industrial Estate S.A.S. Nagar, Chandigarh—Ceramic capacitors upto 10,000 PF 20 per cent working voltage 500 volts.

Electrolytic Capacitors

The present licensed and installed capacities of electrolytic capacitors are 125.0 million and 53.7 million respectively. The capacity covered by the letters of intent is 67.35 million out of which capacity earmarked for exports is 51.7 million. Production during 1979 in the small-scale sector was 15.00 million and in the organised sector 44.77 million.

The projected demand for the item is 140.0 million per annum by the year 1983-84. There are frequent shortages, though to a small extent, even for consumer grade electrolytic capacitors. There is need to create substantial capacity for both good quality consumer grade as well as JSS grade electrolytic capacitors. There is also an urgent need to upgrade the technology and process of the existing manufacturers. Modernisation in this regard is essential for the existing units. Foreign collaboration will be considered on merits.

The following are the present manufacturers in this field:

1. M/s Bust India Ltd, Sukh Sagar, N.S. Patkar Marg, Bombay—Electrolytic capacitors 6 volts DG—350 volts DC upto 500 mfd tolerance ±20 per cent to ±100 per cent.

2. M/s Electronic Components Manufacturers P. Ltd, 3-77, Greater Kailash, New Delhi—Electrolytic capacitors of low voltage.

3. M/s Philips India Ltd, Shiv Sagar Block 'A' P.B. No. 1598 Bombay—Miniature electrolytic capacitors (180—mfd) (2.5—64VDC), (2.2—470 mfd) (4-63 VDC) tolerance —10 per cent to +50 per cent, small electrolytic capacitors (64—4000 mfd) 2.5—64 VDC).

4. M/s Keltron Component Complex Ltd, Keltron Nagar, P.O. Kalliasseri, Cannanore—Electrolytic capacitors.

5. M/s Radio & Electricals Mfg Co Ltd, P.B. No, 2606 Mysore Road, Bangalore—Electrolytic capacitors upto 450 volts and upto 10,000 mfd tolerance—13 per cent and +30 per cent.

6. M/s Rescon Manufacturing Co Ltd, Moray House, 2nd Floor, 226, S.V. Road Near Bandra Talkies, Bandra, Bombay—Electrolytic capacitors.

7. M/s Serson Industries Private Ltd. Pimpri, Poona—Capacitors with axial lead, tag terminations twist pung mounting rings 2 mfd—5000 mfd, voltage range 12,350 volts capacity tolerance—20 per cent to +50 per cent.

STATE OF THE ECONOMY

Structure of Indian Industry

MAHARASHTRA MAINTAINED its lead in industrialisation by accounting for nearly one-sixth of the total factories registered in the country during 1978-79, according to an official survey. Maharashtra contributed about one-fourth of the total value added originating from the registered manufacturing sector. It had only 15 per cent of the total fixed capital to work with but employed nearly 17.6 per cent of the total employees. The average emoluments of the employees were far higher than the all-India average.

The second position by virtue of contribution to value added continued to be occupied by West Bengal, although its share in gross output had fallen from 10.5 per cent in 1977-78 to 9.8 per cent in 1978-79, and that in total employment from 13.2 per to 12.9 per cent. The average annual earnings (Rs 7525) of employees were higher than the all-India average (Rs 6263) but lower than Maharashtra (Rs 8545) and Bihar (Rs 7620).

The Annual Survey of Industries (1978-79) released by the Central Statistical Organisation stated that Tamil Nadu wrested the third position from Gujarat by sliding the latter to the fourth position in the ranking of the States, although Gujarat continued to maintain its lead in gross output.

Karnataka, which occupied the seventh place in this ranking during 1977-78 improved its position to fifth by virtue of high value added reported in electricity industry. Its share in gross output was, however, lower than that of Madhya Pradesh, Bihar and Uttar Pradesh.

The number of registered factories covered in the survey increased from about 85,000 in 1977-78 to 88,000 in 1978-79—an increase of 3.7 per cent.

Due to certain operational difficulties, the survey could not be completed in Manipur and some parts of Assam. In both these cases, the census figures for the previous year have been operated while no estimate for the non-census sector has been attempted, it has been explained.

The number of factories, according to the survey, declined marginally in West Bengal, Bihar, Haryana, Himachal Pradesh, Orissa and Rajasthan. The fall was quite perceptible in the case of Madhya Pradesh. On the other hand, Andhra, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh reported substantial growth in the number of factories.

All-round Growth

The fixed capital employed by these factories registered a growth rate of 13.6 per cent. The gross output rose by about 14 per cent during the year, while total inputs, comprising fuels, materials and components and payments made for industrial and non-industrial services rendered by others registered a growth rate of 12.6 per cent against 15.2 per cent recorded in 1977-78. The value added, which is the net increase in output over inputs after allowing for depreciation, recorded a rise of 17.7 per cent in 1978-79 against 11.4 per cent.

Total employment in these factories rose by 2.2 per cent compared with 6.1 per cent, while emoluments paid to employees increased by 10.3 per cent against 15 per cent in 1977-78.

The survey broadly covered factories registered under Section 2(m) of the Factories Act, which refers to establishments using power and employing ten or more workers and those not using power but employing twenty or more workers on any day of the preceding twelve months.

The report provides industry-wise information on principal characteristics such as capital structure, employment, wage bill, output, materials and fuel inputs, value added etc. in respect of units engaged in economic activities relating to manufacturing,, electricity generation, water supply and gas, cold storage and some selected repair services.

It also brings out some important structural ratios and technical coefficients based on aggregative data for all industries at the macro-level. The important aggregates have also been presented by size of employment, size of capital and by type of ownership, organisation and year of initial production.

According to the survey, the 88,077 registered factories at the end of March 1979, had a total fixed capital investment of Rs 22,886 crore. These factories employed 72.5 lakh employees, produced gross output worth Rs 44,344 crore and thereby contributed Rs 9,554 crore to the national income.

A large proportion of the factories (about 89 per cent) covered in the survey belonged to the lowest employment size class engaging less than 100 persons. These factories accounted for 6.9 per cent of total fixed assets, employed 23.4 per cent of the employees and generated 13.1 per cent of value added by manufacture.

On the other hand, factories employing 5,000 persons or more, though small in number (0.1 per cent), accounted for 9.40 per cent of fixed capital, employed 15.1 per cent of th employees and generated 17. per cent of the value adde originating from the registere industrial sector.

About 7.7 per per cent o the factories belonged to th public sector (including joir sector). These factories thoug representing a small fractio of the total number, controlle about 74 per cent of the tota fixed capital and employe nearly 32 per cent of th employees in the registere industrial sector. Their contribution to gross output an value added was of the orde of 31 per cent and 35 per cen respectively.

State Loans

Twentyone State Gover ments have announced the iss of their new 15-year loa amounting to Rs 504.25 cror bearing an interest at the ra of 7.5 per cent. Subcriptio to these loans will be receive up to the close of bankir hours on July 14, 1982 and w be repaid at par on Ju 14, 1997.

The interest on the loans w be paid half-yearly on Janua 14 and July 14 each and will liable to Income-tax.

Amongst the States, Ut Pradesh tops the list with issue of Rs 102 crores follow by Andhra Pradesh (Rs 56. crores). Himachal Pradesh ai to raise the lowest amou among the States at Rs 2. crores. The States issu loans (amounts in rup crores) are: Andhra Prad 56.75; Assam 11.25; Bihar 25. Gujarat 30.75; Haryana Himachal Pradesh 2.25; Jam & Kashmir 3.25; Karnataka Kerala 27; Madhya Prad 17.25; Maharashtra 33. Manipur 3; Meghalaya 4. Nagaland 4; Orissa 27; Pun 12; Rajasthan 41; Tamil N 32.25; Tripura 4.25; U Pradesh 102.45; and W Bengal 26.75; making a value of Rs 504.25.

Rupee-Pound Exchan

The Reserve Bank of I revised its parity against pound sterling, the inter tion currency, and refixed rate at £6.0386 (buying)

6.0096 (selling) by a devalua- ion of 0.3 per cent on July 2.

Demand for Heavy Water

The Government has set a arget of producing 80 ton- es of heavy water by the end f this financial year. The urrent indigenous inventory s about 45 tonnes of freshly roduced virgin heavy water nd 104 tonnes of unsafe- uarded downgraded heavy ater both at RAPP and else- here, requiring upgrading efore use in reactors.

This was disclosed recently y Prime Minister Mrs Indira andhi while addressing a eeting of the parliamentary onsultative committee for e Departments of Atomic nergy, Space, Electronics, cience and Technology, Envi- onment and Ocean Develop- ent.

Regarding shortfalls in pro- uction of heavy water plants. rs Gandhi informed mem- ers that delays were due to me technical problems which d been identified and were ing rectified. The Kota plant as expected to achieve the st stages of enrichment dur- g September 1982 and reac- r grade heavy water was ely to be produced before e end of the year.

Concurrently plants were ing put up for upgrading heavy water which escaped om power reactors during operation for recycling to nuclear reactors in reac- grade quality.

odernisation of extile Industry

he Indian Cotton Mills' deration has made an ex- ustive study of the finan- l needs of the textile indus- during the Sixth Plan for dernisation and expansion order to achieve the pro- ted per capita consumption 16.59 metres by 1984-85.

he federation has apprised Planning Commission of imperative necessity for ilitating the creation of a tile modernisation fund there is very limited scope for textile mills to attract capital from the public by way of equity, debentures and public deposits.

ICMF has estimated the backlog of modernisation at Rs 2,475 crore at 1980-81 prices. During the first two years of the Sixth Plan, 1980-82, the industry had spent about Rs 350 crore on modernisation, leaving an outstanding backlog of Rs 2,125 crore, to be completed by the end of the decade.

Thus, an annual investment of Rs 265 crore would be called for modernisation and wherewithal for this cannot be had from internal generation and institutional finance alone.

Foundry Cell in AIEI

The indigenous foundry industry will get a shot in the arm with the proposal of the Association of Indian Engineering Industry (AIEI) to open a new division under its wings which would act as a catalyst to furthering the interests of the industry.

The new cell called the 'steel and alloy steel foundry' division is expected to be formally inaugurated by mid-August. It will have a membership of about 25 companies to start with.

About 17 companies have already given their consent to join this division. The companies are—Mukand Iron and Steel Works Limited; Godrej, Bombay; Secals Limited, Madras, Sivananda Steels; KCP Ltd; Best and Crompton Engineering; Canara Steel Limited; all from Madras: Texmaco; Samco Steel and Alloy; Utkal Machinery, Orissa; Orkonam Castings: Uni-Abex Alloy; Steelcart, Bhavnagar; Supreme Foundry; Bengal Ingot, Himmat Steel Foundry and Sri Ramakrishna Steel.

The first chairman of this new division is likely to be Mr S.S. Soundararajan, Chief Executive, Mukand Iron, it is learnt.

The new division will establish a link with the Steel Casting Research Association of the United Kingdom to have access to research and development on newer technology being undertaken by the UK organisation.

The division will also organise a technical mission to select countries to study foundry practices and production methods and see in what way these could be adapted to suit local conditions for modernisation.

Rajasthan Financial Corporation

The Rajasthan Financial Corporation sanctioned during 1980-81 Rs 45.65 crores to 3640 units showing 22.09 per cent and 14.79 per cent increase over the previous year's corresponding figures at Rs 37.39 crores (2937 units) and Rs 26.10 crores. This brings out scale of the operations quite close to the leading SFCs like Andhra Pradesh, Gujarat and Maharashtra. Despite the difficult power situation which seriously affected production in the industrial sector in State during 1981-82, total recoveries were Rs 12.05 crores as against Rs 8.83 crores during 1980-81, marking an increase of 36.4 per cent. Recoveries represent 65.3 per cent of the amount falling due in 1981-82. Overdues as compared to loan outstanding fell from 12.66 per cent as on March 31, 1982 to 10.88 per cent as on March 31, 1982.

The operating surplus of the corporation at Rs 507.64 lakhs showed an increase of 50.85 per cent over the previous year's figures of Rs 320.29 lakhs. The net profit at Rs 328.52 lakhs reflects an increase of 58.49 per cent over the previous year's figure of Rs 227.30 lakh. Taxation absorbs Rs 34.65 lakh (previous year Rs 84.60 lakh) giving a net profit after tax of Rs 293.87 lakh. This is 105.9 per cent more than the previous year's figure of Rs 142.70 lakhs. The entire amount, except Rs 30.41 lakh earmarked for dividend @ 3.5 per cent has been transferred to reserves, which now stands at Rs 809.26 lakhs against th paid-up capital of Rs 976.2 lakh.s

The major achievement of the corporation has been the utilisation of the investment subsidy provided by the Government of India and Government of Rajasıhan. As against sanctions of subsidy to 1073 units amounting to Rs 4.74 lakhs in 1980-81, a sum of Rs 473.27 lakh was sanctioned to 1254 units in 1981-82. This shows an increase of 16.87 per cent in the number of units and decrease of (—) 0.21 per cent in the amount sanctioned.

The extended scale of operation has been possible because of liberal support extended by the State Government and Industrial Development Bank of India. As against the origal provision of Rs 92 lakhs, the State Government has advanced Rs 292 lakh during the year under review Rs 31.90 lakh towards share application money and Rs 260.10 lakh towards equity loan to be converted into share capital in due course.

Export of Gold Jewellery

Export of gold jewellery will receive a boost in the current financial year. Foreign exchange earnings in the first three months (April-June) amounted to about Rs 17 crore. The Handicrafts and Handlooms Export Corporation (HHEC) hopes to exceed this year's export target of Rs 75 crore, because exports in subsequent months are expected to pick up considerably.

A team of jewellers, headed by Miss S. Tawadey, Additional General Manager of HHEC, which surveyed the market potential of Qatar and UAE, with on-the-spot orders for nearly Rs 2 crore worth of gold jewellery.

With this, the export orders on hand are stated to be worth about Rs 5 crore. Arabian and Gulf countries provide vast potential for Indian gold jewellery—plain, studded and diamond. Since it has been possible to establish contacts with buyers in some of these countries, Indian jewellers are getting useful feedback about their specific requirements. India has been trying to offer as many sophisticated designs as possible in order to establish a foothold in these markets,

At the same time, there is an urgent need for diversifying the export markets. If the programme of exhibitions to be held abroad forms part of the policy and continued on a long-term basis, say a minimum period of three years, future planning becomes easier and a real thrust can be made in other countries as well.

Last year, HHEC exported gold jewellery valued at Rs 43 crore. Against these exports, 1,856 kg. of gold was supplied to India by the foreign buyers of gold items. The orders were received mainly from the UAE, Kuwait, Baharain, Qatar, Saudi Arabia, the US and Fiji.

Increased Outlay for 20-Point Programme

The outlay for the new 20-point programme will be stepped up considerably in the next two Annual Plans —1983:84 and 1984-85—to realise the increased targets and to meet cost escalations.

Planning Minister, Mr S.B. Chavan, gave this information to the consultative committee of Parliament attached to his Ministry recently.

The estimated outlay for the programme in the current year is Rs 837,448 crore and additional funds would be necessary in view of the increase in physical targets and outdated cost estimates.

Stressing the need to realise the Sixth Plan objectives, Mr Chavan said higher rate of agricultural production, steady industrial growth. step-up in power generation and acceptance of the small family norm should receeive highest priority.

Mr Chavan said there was need to generate employment opportunities for 46.26 million people to provide for the backlog and the netad dition to the labour force in the age group five plus.

Nut, Bolt Plants for Oman, UAE

An Indian firm has bagged an order for setting up automatic plants for manufacture of nuts and bolts one each in Oman and the United Arab Emirates at a cost of Rs 25 lakh. A trading hou
in the UAE has evinced int
rest in obtaining the Indi
plant on a turn-key bas
It also requires technicia
from India.

Besides, lathes, wood wor
ing machinery, pillar dr
machines and machine too

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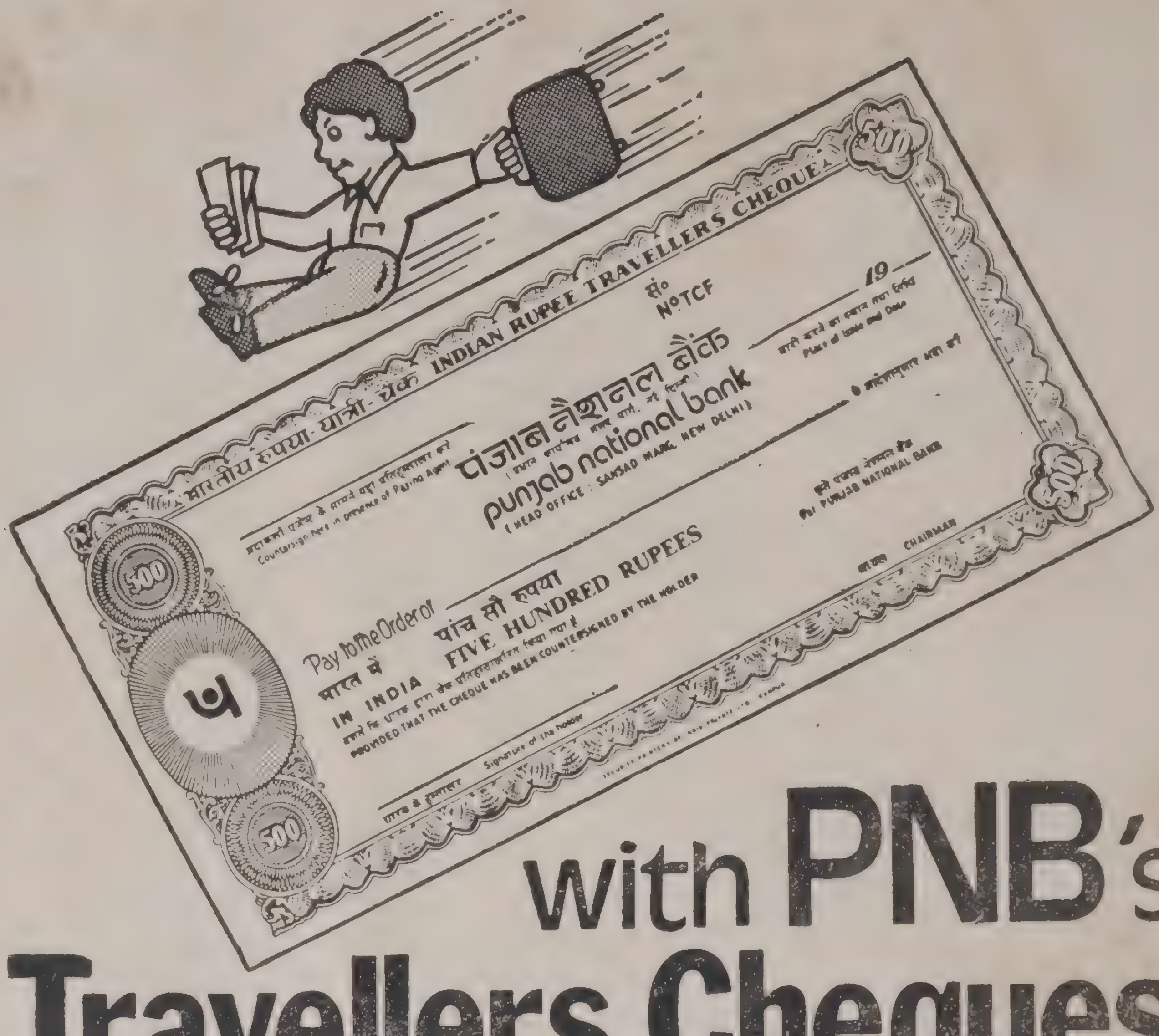

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cessories like chucks and tting tools have great ex- rt potential in the UAE, udi Arabia, Kuwait and nan.

These are the findings of a -member Indian Trade velopment Authority (TDA) m which visited these coun- es recently. The team had ited the four countries der a contact promotion ogramme.

The Indian delegation cured orders worth Rs 5 h. Trade enquiries worth 90 lakh were also generated. e enquiries, among other ms, were also for diesel gines for concrete mixers, f-tapping screws, parts for cks, cetntrifugal pumps d gold wire drawing machi- s.

p Award for Lintas

Lintas India has won the rld's top award in the Public vice category at the o International Advertising ards ceremony in New York h its film 'The Story of pe'. This film was created Mr Alyque Padamsee, head Lintas and produced by Mr ilash Surendranath of FAR oductions. It commemorated International Year of the abled.

This is the first time that an lian agency has won the in- national advertising 'Oscar' public service.

n 1981, Lintas won the tificate of Merit for its film the International Year of Child. This film has been cast over Doordarshan and eased in cinemas all over ia.

intas has always taken a n interest in public service l has been involved in a mber of public service films, lio-visuals, hoardings and ss campaigns. It has pro- ed an audio-visual to pro- te recruitment into the ian Navy; a film for the ends of the Trees Society; audio-visual on conserva- during the Maharashtra ught, a publicity campaign the protein emergency in ia and audio-visuals for the ernational Congress on Cancer and the International World Conservation Day.

Dr V. Kurien to Visit USSR

Dr V. Kurien, Chairman, National Dairy Development Board, India and Mrs Kurien have been invited to visit the Soviet Union as guests of honour of the XXIst International Dairy Congress to be held in Moscow from July 12 to 16, 1982. The invitation has been extended by Mr S. F. Antonow, Chairman, Minister of Meat and Dairy Industry of the USSR.

New Registrations in Backward Area

The Government of India has decided to accord "over-riding priority" even in the case of registrations, for such entrepreneurs as are wanting to establish their new units in backward areas and in no-industry districts.

The Government, as per its earlier notifications of September 1981 and February 1982, has already been according over-riding priority in the licensing of new units to be set up in no-industry districts and backward areas.

An official notification issued recently said that the same consideration for industrial licensing would influence registration with technical authorities.

In the matter of registration also, preference will be in the following order of priority: No-industry districts as mentioned in the press note of February 27, 1982, notified backward districts/areas in backward states, and notified backward districts/areas in other States.

Penalty for Belated PF Payment

The Central Board of Trustees of Employees' Provident Fund recently approved levy of damages at a uniform rate of 25 per cent per annum on belated payment of provident fund dues, subject to the conditions that total amount of penal interest does not exceed the amount in default.

The board also felt that failure to make the investment as per direction of the Government shall make the Board of Trustees severally and collectively liable to surcharge as might be imposed by the Central Provident Fund Commissioner.

In regard to the damages for belated payments, the Ramanujam Committee had recommended a levy at 3 per cent and 5 per cent over the bank rate which when calculated came to 24 per cent. At present, the damages are levied based on the percentage of wages. This modified proposal will simplify calculations and levy of damages.

Plan for 1990

All villages in the country with a population of 1500 and and above and 50 per cent of the villages with a population between 1000 and 1500 will be linked with fair weather roads by the end of 1990.

Fifty per cent of this target would be covered by 1985, according to an official Press release.

This plan to connect villages with all-weather roads has been launched under the minimum needs programme to provide better marketing facilities and faster economic growth of rural areas.

During the Sixth Plan period an outlay of Rs 1165 crore has been provided for rural roads in the States sector. The expenditure in 1980-81 and 1981-82 was Rs 206 crore and Rs 217 crore repectively. During the current year an outlay of 186 crore has been earmarked tentatively.

The working group set-up by the National Transport Policy Committee of the Planning Commission, had recommended that no village should be more than 1.6 km from a road by 2000 AD.

It suggested rural road density of 60 to 65 kms per 1000 sq km. The investment required to achieve this target was estimated at Rs 11,000 crore. The total length of rural roads required to be constructed was estimated at 800,000 kms. The length of rural roads at present is about 500,000 kms.

Names in the News

K.S. Neelakandan, Pr Chief of Pfizer Limited has been unanimously re-elected as the President of the all India body of Public Relations Society of India for 1982-83. Mr Neelakandan functioned as the Executive Chairman of the 9th PR World Congress, held in India in January 1982, which attracted about 1000 delegates from some 36 countries. Other office bearers elected at the society's Annual General meeting at Calcutta are O.P. Joseph (FACT) as President-Elect, C.V. Narasimha Reddi (Press Adviser to Chief Minister of Andhra Pradesh) as Vice-President, I.M. Choksi (Scindia) as Secretary-General and K.R. Hattangdi (BASF) as Secretary-Treasurer. The society has about 900 members and nine chapters located at Bombay, Calcutta, Madras, Delhi, Bangalore, Ahmedabad, Cochin, Hyderabad and Visakhapatnam.

K.S. Neelakandan

Mr R.J. Shahaney, Chairman & Managing Director, Ashok Leyland, has been elected President of the Association of Indian Automobile Manufacturers for 1982-83. **Mr. S.L. Bhatter**, President, Hindustan Motors, has been elected Vice President.

7.50 per cent. State Government Loans, 1997

State	Amount of loan (In crores of Rupees)	State	Amount of loan (In crores of Rupees
1. Andhra Pradesh	56.75	13. Meghalaya	4.25
2. Assam	11.25	14. Nagaland	4.00
3. Bihar	25.50	15. Orissa	27.00
4. Gujarat	30.75	16. Punjab	12.00
5. Haryana	14.00	17. Rajasthan	41.00
6. Himachal Pradesh	2.25	18. Tamil Nadu	32.25
7. Jammu & Kashmir	3.25	19. Tripura	4.25
8. Karnataka	26.00	20. Uttar Pradesh	102.00
9. Kerala	27.00	21. West Bengal	26.75
10. Madhya Pradesh	17.25		
11. Maharashtra	33.75		504.25
12. Manipur	3.00		

The above loans will be issued at Rs 100.00 per cent. and Subscriptions therefore received on Wednesday, 14th July 1982 upto the close of banking hours. They will be redeemed at par on 14th July 1997. In the event of 14th July 1982 being declared a holiday by any State Government under the Negotiable Instruments Act, 1881, subscriptions will be received at the concerned receiving offices in that State upto the close of banking hours on the next working day. All the State Governments reserve the right to retain subscriptions upto ten per cent in excess of the notified amounts.

2. Subscriptions may be in the form of CASH/CHEQUE.

Securities of the following loans will also be accepted AT PAR for conversion into the new loans of the respective State Governments.

Name of the loan tendered for conversion	Name of the new loan issuable
1. 5¾% Andhra Pradesh State Development Loan, 1982	7.50% Andhra Pradesh State Development Loan, 199
2. 5¾% Assam Loan, 1982	7.50% Assam Loan, 1997.
3. 5¾% Bihar State Development Loan, 1982	7.50% Bihar State Development Loan, 1997.
4. 5¾% Gujarat State Development Loan, 1982	7.50% Gujarat State Development Loan, 1997.
5. 5¾% Haryana State Development Loan, 1982	7.50% Haryana State Development Loan, 1997.
6. 5¾% Kerala State Development Loan, 1982	7.50% Kerala State Development Loan, 1997.
7. 5¾% Madhya Pradesh State Development Loan, 1982	7.50% Madhya Pradesh State Development Loan, 199
8. 5¾% Tamil Nadu Loan, 1982	7.50% Tamil Nadu Loan, 1997.
9. 5¾% Maharashtra State Development Loan, 1982	7.50% Maharashtra State Development Loan, 1997.
10. 5¾% Mysore State Development Loan, 1982	7.50% Karnataka State Development Loan, 1997.
11. 5¾% Orissa Government Loan, 1982	7.50% Orissa Government Loan, 1997.
12. 5¾% Punjab Loan, 1982	7.50% Punjab Loan, 1997.
13. 5¾% Rajasthan State Development Loan, 1982	7.50% Rajasthan State Development Loan, 1997.
14. 5¾% Uttar Pradesh State Development Loan, 1982	7.50% Uttar Pradesh State Development Loan, 1997.
15. 5¾% West Bengal Loan, 1982	7.50% West Bengal Loan, 1997.

3. Interest on the securities accepted for conversion will be paid at the rate of 5¾ per cent per annum upto and inclusive o 13th July 1982 at the time of issue of new securities. Interest on the Loans now issued will be paid half-yearly on 14th Januar and 14th July.

4. Applications will be received for *all the* loans (a) at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Gauhati, Hyderabad, Jaipur, Kanpur, Madras, Nagpur, New Delhi and Patna;

(b) **At other places within the respective States at branches of**

(i) Subsidiary Banks of the State Bank of India conducting Government treasury work except at Hyderabad and Jiapur

(ii) State Bank of India at places where there is no branch of its Subsidiary Bank conducting Government treasury work; and

(iii) State Bank of India at Chandigarh also for Haryana and Punjab Government Loans; and

(iv) The Jammu & Kashmir Bank Ltd., within the State of Jammu and Kashmir and State Bank of India where there is no branch of the Jammu & Kashmir Bank Ltd. in the case of Jammu & Kashmir State Development Loan.

5. Copies of the Notification and application forms may be obtained from any of the receiving offices mentioned above. In event of over subscription to the loan applied for, applicants tendering applications at the offices of the Reserve Bank of India Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Gauhati, Hyderabad, Jaipur, Kanpur, Madras, Nagpur, New hi and Patna will be given the option of transferring their cash refunds to any other State Government loan. To avail themves of this facility, applicants should complete the "Special Option Form", copies of which can be obtained at any of the ces of the Reserve Bank of India mentioned above and tender the form along with their applications.

6. Securities will be issued in the form of Promissory Notes or Stock Certificates.

7. Any of the offices or branches of banks mentioned in paragraph 4 above may be approached for further claritions, if any.

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प्रो. बिरला जूट मैन्यू. कं. लि. कलकत्ता-१

COMPANY AFFAIRS

Malayalam Plantations to Dilute Equity

MALAYALAM PLANTATIONS (India)Limited, which at present has foreign equity shareholding to the extent of 74 per cent of its total share capital, propose to dilute its foreign equity holdings to 40 per cent. Accordingly, Malayalam Plantations (Holdings) Limited, UK, propose to offer 10,20,000 equity shares of Rs 10 each in the Indian company to the Indian public, at Rs 14 per share.

The company owns some of the most promising tea and rubber estates in South India. It has a total of 26 estates in India with rubber and tea as major crops. The tea produced by the company is in good demand. The company has planted large areas of rubber in a phased programme with high yielding varieties and the yield of rubber, therefore, has been increasing from year to year. In spite of a crisis in tea all over the world, the company has been able to show good profits and maintain 20 per cent dividend since its incorporation.

The company has an excellent record of financial performance. For the nine months ended December 31, 1981, the company earned a gross profit of Rs 4.14 crores and after providing for taxes the net profit amounts to Rs 96.04 lakhs. The profit earned for the nine month period is higher than the profits earned for the year ended March 31, 1981. The company, therefore, expects to pay a reasonable dividend on the share capital for the year ended March 31, 1982.

The proposed offer for sale is expected to be highly attractive to the investing public. The company's shares are presently quoted at Rs 24 (as on June 23) on the Bombay Stock Exchange, as against the proposed offer price of Rs 14 per share. Further, the new shareholders of the company, as a result of the present offer for sale, will be eligible for full dividend that may be declared for the year ended March 31, 1982. The offer is scheduled to open for public subscription on July 12, 1982.

Thirumalai Chemicals

The working of Thirumalai Chemicals was adversely affected during the current year due to imports of phthalic anhydride. Representations had been made to the Government to amend the policy.

Disclosing this at the annual general meeting of the company, Mr N.S. Iyengar, Chairman, said the company had to curtail the capacity utilisation of the plant, as there was slight demand recession in the major consuming industries. Hence production during the first five months was lower by 10 per cent. However, due to increase in price, realisations were almost maintained at the previous year level. The company hopes to maintain profitability and pay dividend for the whole of the current year.

Indian Oxygen

The Directors of Indian Oxygen Limited (IOL) decided to pay an interim equity dividend at the rate of 9 per cent (amounting to 90 paise a share and subject to deduction of tax at source). The interim dividend is payable on September 1, 1982 and will cover bonus shares issued on May 11, 1982.

IOL's overall performance in the first six months of the current financial year (from October 1, 1981 to March 31, 1982) has shown an improvement over that of the corresponding period last year. Sales income at Rs 4,543 lakh was 27 per cent higher and the profit for the six months (before tax but after providing for depreciation and interest charges) amounted to Rs 622 lakh against Rs 374 lakh during the same period last year. The increase in profit was due mainly to higher sales, operating efficiencies and volume growth in respect of certain products.

The demand for most of the company's products remained generally stable. The management expects that sales and profit for the second half of the financial year will maintain the satisfactory trend.

Talbros

Talbros Automotive Components Limited hopes to maintain its profitability during the current year despite recessionary conditions in the automotive industry.

This was stated by the Chairman of the company, Mr K.N. Talwar, at the annual general meeting of the company. The engineering division of the company now producing rear axle shafts is expected to contribute to the profits of the company soon. The turnover of the company during 1981 was 20 per cent more than in the previous year.

Centron Industrial Alliance

Polls were demanded on two resolutions at the annual general meeting of Centron Industrial Alliance recently. The same resolutions however were passed by show of hands earlier.

The two resolutions pertained to the adoption of accounts for the year 1981 and the re-appointment of Mr D.S. Dhanukar as a Director of the company. The results of both the polls will be declared later.

Earlier. Mr R.P. Aiye Chairman of the compan informed the shareholde that the company's plant ha now commenced normal pr duction and during the cu rent year up to June 11, produced 61.82 million blade (valuing Rs 185 lakh) an sold 57.06 million blades (v luing Rs 171 lakh). The av rage monthly production present is 14 million blades.

Referring to the future ou look, he said that depende on the proposed merger sch me with Brooke Bond Ind or any other scheme, whic may be finalised later on.

Referring to expansion pr gramme, he said the compan has received a letter of inte for substantial expansion capacity of phthalic anhy dride plant at Ranipet an necessary steps are bein taken to convert the same i to an industrial licence. Th company also proposes diversifyits activity to man facture maleic anhydride wit a 3,000 tonnes capacity p annum, which may be lat increased to 7,000 tonnes. T project cost and the mo of financing are yet to finalised.

Hico Products Fares Well

The performance of Hi Products Ltd during the cu rent year so far is satisfacto with the turnover in the fi five months of the current ye touching Rs 9 crore, accor ing to Mr V.M. Bhide, Cha man of the company.

He told the shareholders the company at the ann meeting recently in Bomb that company received th more letters of intent for manufacture of 6000 ton of chemicals for petroleum covery and transportati 3000 tonnes of leather au liaries and chemicals and su tantial expansion of exist licence of textile auxilia and allied chemicals.

These items will be ma factured at company's lo tions at Khopoli and Kh sundi. The company has ready started the manufact of chemicals for petrole covery and transportation d also the leather auxiliaries the existing manufacturi- g facilities.

The company's ambitious oject for chlorosilances/ icones, which presently der implementation, is going per schedule. Barring unseseen circumstances, the oject will be commissioned ing November 1982, the airman added.

medabad Electricity

he Ahmedabad Electri- Company has reported roved working results for year ended March 31, 1 and the Directors have posed to step up the total ity dividend by one per to 16 per cent.

he company had already the interim dividend of per cent and has now re- mended a final dividend 11 per cent mak- a total of 16 per cent. year, the dividend was per cent.

ne company has earned gher gross profit of Rs .95 lakh against Rs 50 lakh. After providing depreciation at Rs 374.77 (Rs 279.47 lakh), the profit works out higher at 597.18 lakh against Rs 3 lakh last year. A sum 415.99 lakh (Rs 321.66 has been appropriated vestment allowance re- and other statutory re- s and Rs 96.90 lakh (Rs lakh) transferred to gene- eserve.

cording to the manage- the installation work e second unit of 110 MW E' station is in progress the schedule of com- oning the station for com- al operation by March, is being maintained so The project cost is esti- at Rs 65 crore.

International

working of Elpro ational during the first months of the current was adversely affected by unrest.

ealing this at the annual general meeting of the company, Mr J.A. Meher-Homji, Chairman said that sales during the first six months were lower at Rs 160 lakh as compared to Rs 370 lakh during the same period last year. He however expressed the hope that conditions would improve in the coming months and sales would pick up as strike has been called off since July 11. Every effort was being made by the company to ensure that the loss of producton suffered during the strike was partially made up during the remaining months of the current year.

Bharat Rubber StepsUp Dividend

Bharat Rubber Regenerating Company has reported improved results for the year 1981 and the Directors have proposed to step up equity dividend from 10 per cent to 12 per cent.

The company, which converts waste rubber into essential reclaim rubber, attained a higher production of 2701 tonnes during the year as against an installed capacity of 2400 tonnes per annum. In spite of power and other constraints sales have risen from Rs 85 lakh to 1.13 crores.

Increased Dividend by Indian Card

Indian Card Clothing Co has reported satisfactory working results for the year ended March 31, 1982, and the Directors have maintained the final equity dividend of 40 paise. Inclusive of two interim dividends of Rs 1.10 and 90 paise, total dividend works out higher at Rs 2.40 against Rs 2.20 last year, absorbing Rs 78.02 lakh (Rs 71.52 lakh).

Despite an increase in sales from Rs 8.27 crore to Rs 8.47 crore, the company has earned a slightly lower gross profit of Rs 2.97 crore as against Rs 3.07 crore last year. However, after providing for depreciation at Rs 31.64 lakh (Rs 309.3 lakh), for taxation at Rs 1.55 crore (Rs 1.67 crore) and for investment allowance reserve at Rs 8 lakh (Rs 11.50 lakh), the net profit works out slightly higher at Rs 1.02 crore as against Rs 97.47 lakh in the previous year.

Out of this, dividend absorbs Rs 78.02 lakh (Rs 71.52 lakh), a sum of Rs 10.23 lakh (Rs 25.95 lakh) has been transferred to the general reserve and balance of Rs 13.87 lakh (nil) has been retained in profit and loss account.

Narmada Cement

With a view to meet the increase in cost of project, Narmada Cement, proposes to issue right equity shares. The board meeting of the company will be held in second week of July 1982 to finalise the details of the right shares.

The company has extended the date of subscription of right preference shares till July 31, 1982.

Antifriction Bearings

Antifriction Bearings Corporation has reported improved results for the year ended March 31, 1982, and the Directors have proposed to pay the equity dividend of 14 per cent on the increased capital as enlarged by the 1:2 bonus issue, as against the 17 per cent paid on the old capital last year. Hence the outgo on dividend account is higher at Rs 36.28 lakh as against Rs 30.41 lakh in the preceding year.

Sales and other income have gone up from Rs 10.60 crore to Rs 12.97 crore and gross profit after interest at Rs 2.19 crore as against Rs 1.97 crore last year.

After providing for depreciation at Rs 1.23 crore (Rs 97.83 lakh), for taxation at Rs 26.25 lakh (Rs 2 lakh) and for investment allowance reserve at Rs 11.55 lakh (Rs 32.50 lakh), the net profit works out higher at Rs 33.07 lakh as against Rs 30.81 lakh in the previous year. A sum of Rs 20 lakh (Rs 30 lakh) has been transferred to general reserve.

According to the management, the margin was unde pressure on account of lowe production at Lonavala unit, though production at Bharucl unit has improved. During the year, production at Lonavala was 12.60 lakh bearings as against 14.15 lakh during the previous year (for 11 months as the workers were on strike in April 1980).

Anglo-French

Mr J.W. Tanner, the Chairman of Anglo-French Drug Co has struck a note of cautious optimism as regards the current year's working of the company.

Presiding over the annual general meeting of the company recedtly he said that though the turnover for the first five months has registered a rise of about 38 per cent the operating results have been hit. A continuous rise in the cost of inputs without adequate upward revision in the selling prices of finished goods, makes the task of 'breaking-even' well nigh impossible, leave alone res pectable profit margin.

Mr Tanner further he added that the company proposes to implement its expansion and diversification schemes in the coming years. In the field of fine chemicals, it proposes to go in for manufacture of a few more vital, basic drugs. It also has plans to introduce sophisticated, new drug formulations and broaden its protein food supplement as well as the cosmetic range.

Allround Progress by Modern Suitings

Modern Suitings Ltd has reported an all-round progress during the year ended April 1982 and the Directors have proposed a maiden equity dividend of 15 per cent.

During the year under review, turnover has increased by 121 per cent from Rs 3.39 crore to Rs 8.49 crore and cash surplus amounted to Rs 25.15 lakh. Of this, a sum of Rs 6.63 lakh has been provided for depreciation, Rs 8 lakh for investment allowance reserve, rupees one lakh for general reserve, Rs 6 lakh for the proposed dividend and the balance Rs 3.52 lakh for providing last year's depreciation. There is no tax liability.

The production during the year rose from 6.71 lakh metres to 12.66 lakh metres, mainly due to increase in utilisation capacity.

The company proposes to implement the expansion programme by raising the production capacity to the tune of 30 lakh metres at a cost of Rs 2 crore. The project cost of Rs 2 crore will be met by term loans from financial institutions, internal accruals and additional share capital/debenture. The expansion programme would be fully implemented by 1982-83.

Searle (India)

Sales of Searle (India) during the whole of current year may not show the same rate of growth as in the previous years as the management is restructuring its distribution arrangement which may have some temporary impact on the sales. This will not affect movement of goods in the market.

At the annual general meeting of the company, Mr A.D. Mango, Chairman, said that the company's Ankleshwar project is expected to commence production by the middle of 1983.

United Carbon India Fares Well

United Carbon India is doing well in the current year with sales in the first five months of the current year showing an improvement of 10 per cent. as compared with the same period last year.

Mr C.H. Bhabha, Chairman, told the annual general meeting of the company recently, that though sales have risen the profitability has not kept pace with sales on account of increasing costs and rise in prices of inputs. He, however, added that there was no cause for anxiety and the company would be able to maintain its progress in the current year.

The company proposes to set up a carbon black project with an annual capacity of 15,000 tonnes in UP as a joint sector project. The project cost of about Rs 7 to 8 crore will be financed through share capital where the company would contribute to the tune of 25 per cent, the UP Government 26 per cent, and balance through a public issue of shares.

Aditya Mills

The textiles and steel divisions of Aditya Mills have been doing quite well in the current year.

During the first five months of the current year, production of textiles division has been higher at 25.55 lakh kgs. of yarn valued at Rs 6.79 crore as compared to 13.10 lakh tonnes valued at Rs 5.68 crore, in the corresponding period last year. Production in steel division has registered a steep rise during the same period from 1437 tonnes to 8518 tonnes raising the sales realisation from Rs 50.35 lakh to Rs 2.41 crore.

Mr A.K. Kanoria, Chairman, told the annual general meeting of the company that the increase in production value of textile division this year has been more on account of increased power generating capacity available with the textile unit. The production in steel division is higher due to optimum utilisation of the installed capacity.

Laxmi Vishnu

Laxmi Vishnu Textile Mills has turned the corner during the current year with the mills making profits during the current months as against average monthly loss of Rs 26 lakh in the previous year.

Announcing this at the annual general meeting, Chairman M.L. Apite said that the shareholders can definitely expect improved, results in the current year if power situation improves and proposed wage settlement in Bombay textile mill was favourable.

The company has been doing well in the current year with sales in the first five months amounting to Rs 15 crore as against Rs 12 crore during the same period last year. The improvement in working was mainly attributed to fall in cotton prices by 15 to 20 per cent and recent higher capacity utilisation at 95 per cent, implementation of modernisation programme and increased offtake during last few months. He expressed the hope that company would fare well during next half of the current year.

Siyaram Silk Mills

Siyaram Silk Mills has been doing well with all-round increase in sales and production.

At the annual general meeting of the company, Mr M.R. Podar, Chairman, said that production during the first five months has been significantly higher at 10.47 lakh metres against 6.83 lakh metres and sales at Rs 5.59 crore as againt Rs 2.76 crore during the same period last year.

The company proposes to instal balance 32 looms during the current year. Moreover, the company is also exploring the possibilities of setting up a spinning mill in a backward area of Maharashtra in the near future.

Improved Results by Indian Hotels

The Indian Hotels Co. has reported improved results for the year ended March 31, 1982 and the Directors have proposed to maintain the equity dividend of Rs 2.20 per share, on the enhanced capital as enlarged by the bonus issue in the ratio of 2:5, absorbing Rs 2.40 crore (Rs 99.79 lakh).

During the year under review, sales have risen from Rs 31.54 crore to Rs 36.09 crore and gross profit from Rs 8.41 crore to Rs 9.36
crore. After providing
depreciation at Rs 1.33 c
(Rs 1.24 crore), for taxa
at Rs 4.10 crore (Rs
crore) and for investm
allowance reserve at Rs 1
lakh (Rs 44 lakh), the
profit works out higher
Rs 3.74 crore as against
3.56 crore in the preced
year.

Out of this, the prop
equity and preference
dend absorbs Rs 1.45 c
(Rs 1.05 crore) and bal
of Rs 2.30 crore (Rs
crore) has been transferre
the general reserve.

Rayalaseema Paper

Sree Rayalaseema P
Mills Limited has planned
substantial expansion of
and paper making capacit
its plant at Vasant Naga
Kurnool district, Andhra
desh. As the company co
under the purview of M
Act, it will have to se
necessary clearances
fore launching the expan
programme.

The company propose
stepup the capacity for ma
paper grade pulp and wr
and printing paper from 42
tonnes a year to 58,500 to
a year. The cost of expan
capacty by 16,500 tonn
year is estimated at Rs
crore, including Rs 4.41
for plant and machinery
electrical installations.

To provide for a part c
project cost the company
make a fresh capital issue
balance wil be met by
rowings from financial in
tons. Company's authoris
pital is composed of 1,5
preference shares of R
each and 1,35,00,000
shares of Rs 10 each.
of these 90,000 preferece
have been issued and
scribed.

The Indian paper indu
capacity now at 18.37
tonnes is to increase to
lakh tonnes by the end
Sixth Plan. As product
1984-85 is targeted at 1
tonnes, there will be a
fall of 40,000 tonnes
Sixth Plan terminal year
demand for paper and
board in 1984-85 is est
at 15.4 lakh tonnes.

eastern
CONOMIST

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C.F.T.R.I. MYSORE

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This Week

y 7

The Indian rupee has become costlier 10 paise against the pound sterling llowing a 0.6 per cent upvaluation by e Reserve Bank of India. The new ot sterling purchase rate corresponds Rs 16.46 and the new spot sterling e rate corresponds to Rs 16.54. The ddle rate is Rs 16.50.

The Centre has asked the States to pedite measures to complete all on- ing irrigation projects in time. There e 66 projects scheduled to be comple- d by the end of Sixth Plan.

lly 8

The monsoon session of Parliament arted on a stormy note with both ouses witnessing acrimonious scenes nd walk-outs by the Opposition.

Continuing its climb for the ninth ccessive week the official wholesale rice index for all commodities rose to 87.2 points (provisional) base 1970-71 during the week ended June 26. In these nine weeks it has gone up by 12.6 points.

The Government expelled the Israeli Consul in Bombay and asked him to leave the country within 48 hours.

The Finance Minister, Mr Pranab Mukherjee, said in the Lok Sabha that he would come forward with supplementary demands for grant totalling Rs 1,743.46 crores as the Government had agreed to grant term loans aggregating this amount to the States to clear their closing deficits as at the end of 1981-82.

July 9

The Government banned strikes in some essential services in the Union Territory of Delhi.

The Labour Minister, Mr Bhagwat Jha Azad, announced in the Lok Sabha the setting up of a tripartite committee (consisting of representatives of central trade unions, industry and Government) to examine the problems of the textile industry in the country in general and the workers in Bombay in particular.

The Government has taken several steps to progressively reduce the dependence on foreign loans, Finance Minister, Mr Pranab Mukherjee told Lok Sabha.

The Government rescinded the Paper (Conservation and Regulation of Use) Order, 1974, in view of the increase in production of paper and paper boards according to an official release.

July 10

The Reserve Bank of India liberalised further its policy governing non-resident investment in shares of Indian companies.

The Union Government has decided to allow private sector jute mills to export carpet backing cloth at discount on profit-sharing basis with a view to helping them clear CBC stocks and maintain export markets.

July 11

A two-day meeting of OPEC Ministers adjourned with delegates unable to agree on a new market sharing system.

Per Capita foreign indebtedness rose sharply in the space of just three months to Rs 226 in March this year from Rs 219 in December last.

July 12

The rupee became five paise cheaper in relation to the pound sterling following the Reserve Bank devaluation of 0.30 per cent. With this revaluation, the 53rd this year, the middle rate depreciated to Rs 16.55 from the previous Rs 16.50.

The Kuwait Fund for Arab Economic Development has granted a soft loan of 14.3 million Kuwaiti dinars for the multi-billion dollar Thal-Vaishet fertiliser project in Maharashtra.

July 13

The Petroleum Minister, Mr Shiv Shankar, said that he has recommended to the Commerce Ministry canalisation of soda ash import through the State Trading Corporation.

The Finance Minister, Mr Pranab Mukherjee informed Lok Sabha that India had assured the International Monetary Fund (IMF) that it would limit the total domestic credit outstanding at the end of the current fiscal year to a maximum of Rs 87,679 crores against the outstanding amount of Rs 73,729 crores at the end of Fiscal 1981-82.

The IMF Lends Again

To the dismay of our leftist comrades, the nasty old IMF has once again failed to be nasty. It has approved the second year's borrowing programme of 1,800 million SDRs under the three-year programme to lend India 5 billion SDRs from its extended financing facility, The terms and conditions laid down for 1982-83 are as liberal as one could wish. Domestic credit will be allowed to expand from Rs 73,729 crores to Rs 87,679 crores, an increase of 18.9 per cent. As the Finance Minister has said, this should be more than enough to take care of the legitimate credit needs of the economy. Of total credit, net credit to the Government will be permitted to expand by Rs 5,500 crores in 1982-83, against Rs 5,167 crores in 1981-82. The ceiling on commercial borrowing remains at 1.4 billion SDRs over and above loans for the Singrauli super thermal power station (Phase II) and the Orissa steel plant. The ceiling also excludes loans with a maturity of over 12 years.

So much for the leftist notion that the wicked IMF intends to haul us over the coals. When the first instalment of the IMF loan was released last year on liberal terms, our comrades warned that this was the thin end of the wedge. The liberal terms, they said, were just a way to trap India; then the IMF would turn the screw on India before releasing subsequent instalments. Well, the second year has come and there is still no sign of the screw being turned. Indeed the only screws that need tightening seem to be in the heads of the leftists. The fact of the matter is that the Sixth Plan's general approach was in many key respects similar to the approach of the IMF. Thus as long as India adheres to the Plan framework, the IMF is willing to go along with it. The picture of the IMF thrusting all sorts of vicious policies down India's throat has always been a fantasy. There is a convergence of views between the two, which is why their relations are
hunky dory.

At the same time it is worth pointing out that in pe
centage terms—though not absolute terms—the second yea
terms are somewhat tighter than the first year's. The ceili
credit expansion has come down from 19.4 per cent in the fi
year to 18.9 per cent in the second year. The limit of net ba
credit to the Government has also come down from 20 p
cent to 14.5 per cent. This is no surprise—the IMF had indicat
that India should seek to cut deficit financing to 3 per cent
GNP, and India pointed out that the Sixth Plan sought a sim
lar reduction of deficit financing. This is what the slower ra
of net bank credit to the Government indicates.

This should be welcomed by the private sector too. T
IMF ceilings for 1981-82 gave the Government a share of
per cent in total credit expansion. This has come down to
per cent in the ceilings for 1982-83, meaning so much more f
the commercial sector. Credit to the commercial sector ca
rise by Rs 8,450 crores in 1982-83, an increase of more th
20 per cent. This cannot by any stretch of imagination be cal
ed a credit squeeze.

Part of the increased credit to the commercial sector w
be taken by food procurement, which looks like touching
million tonnes this agricultural season. As against thi
there is going to be a substantial return flow of credit to ban
from the petroleum sector, which is now making bumper pr
fits. On balance, there will be sufficient credit for increasi
production. It is worth pointing out that industrial growth
slower this year and prices more stable, so that the comme
cial sector's requirements for genuine production are al
less.

Unsavoury Happenings on BSE

HAVOC played by speculative overtrading in the Bombay k Exchange (BSE) is illustrated starkly by the declaration a member of the governing body of the exchange, Sumatilal Jamnalal, and another broker, as defaulters. premier stock exchange in the country has been experienc- ecurring trouble for nearly a year, resulting in frequent ension of trading. Two payments crises have afflicted less than two months. The first one was resolved after iderable behind-the-scenes activity. The current, second , apparently is more serious. Its repercussions will leave s for quite some time. Even the full dimensions of it be known only when the unregistered deals of the default- members come to light.

The declaring of the two bull operators as defaulters sumably has followed the warning last week-end by the ef of the Stock Exchange Division in the Union Finance istry and Controller of Capital Issues, Dr N. Sengupta, he effect that Government would be compelled to intervene BSE's affairs if proper self-discipline was not exercised. can the Finance Ministry be absolved of all blame for reckless speculation that has been going on on BSE? Surely . The Finance Ministry itself is represented on BSE's erning body. It was the duty of this respresentative to p the Government fully posted with the unsavoury penings.

Stock exchanges the world over do witness tough bouts between bulls and bears, resulting in payments crisis. But in a country such as ours, where Government regulation of industrial activity is much more than in the Western democracies, remedial measures should have been taken more expeditiously. Instead, the Government has been a silent spectator to the flouting of the ban on forward trading which was imposed over a decade ago. Breaches of other stock exchange regulations and manipulation have been allowed unhindered. Rigging of stock prices has not been an unusual phenomenon. This has resulted in several equity and convertible debenture issues of even well-established concerns, which commanded handsome premia at the time of floatation, being quoted now at a discount.

Several judicious steps have been taken recently, and some more are said to be in the offing, to revive the capital market so that it can throw up larger investible funds. But they have been undermined by the reckless trading of some operators. A serious lacuna in the Companies Act, which enables a transferor to delay the registration of shares to a buyer and also company managements to unduly hold back issue of share certificates, too, needs to be plugged. Inordinate delays in payments to stock sellers is another issue that ought to be looked into.

OPEC: Free for All?

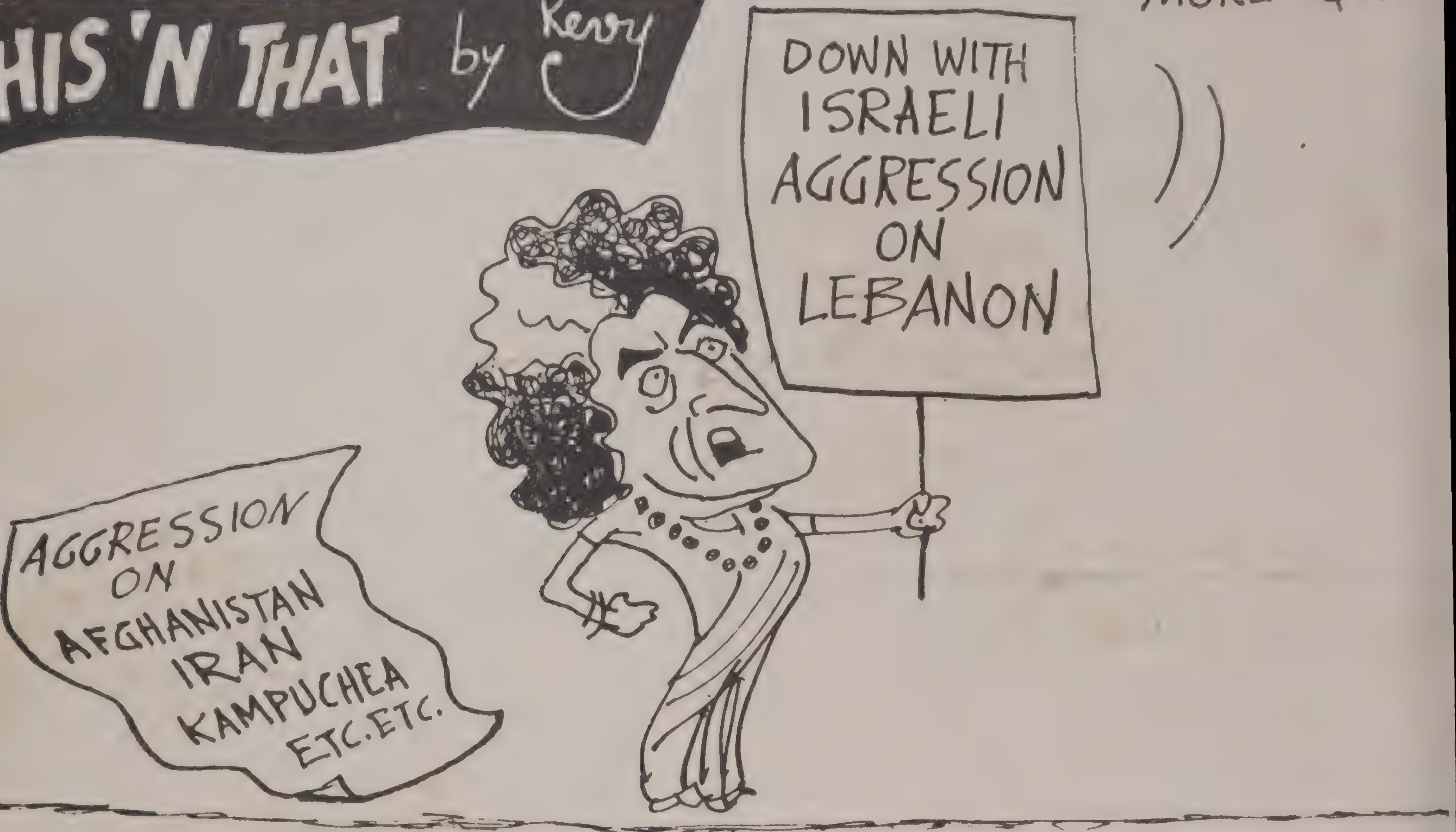
S THE Organisation of Petroleum Exporting Countries cked? It may be too early to jump to this conclusion. there are unmistakable signs of its dictates being flouted some members. The Organisation is no longer the coherent ity it was earlier. Though it put up a brave face in March sticking to the reference price of $ 34 a barrel for light bian crude and pegging output at 18 million tonnes, this ty has proved to be short-lived. The last week-end's extra- inary conference of the Organisation at Vienna ended in nplete disagreement, stripping it of its price and produc- n regulation roles.

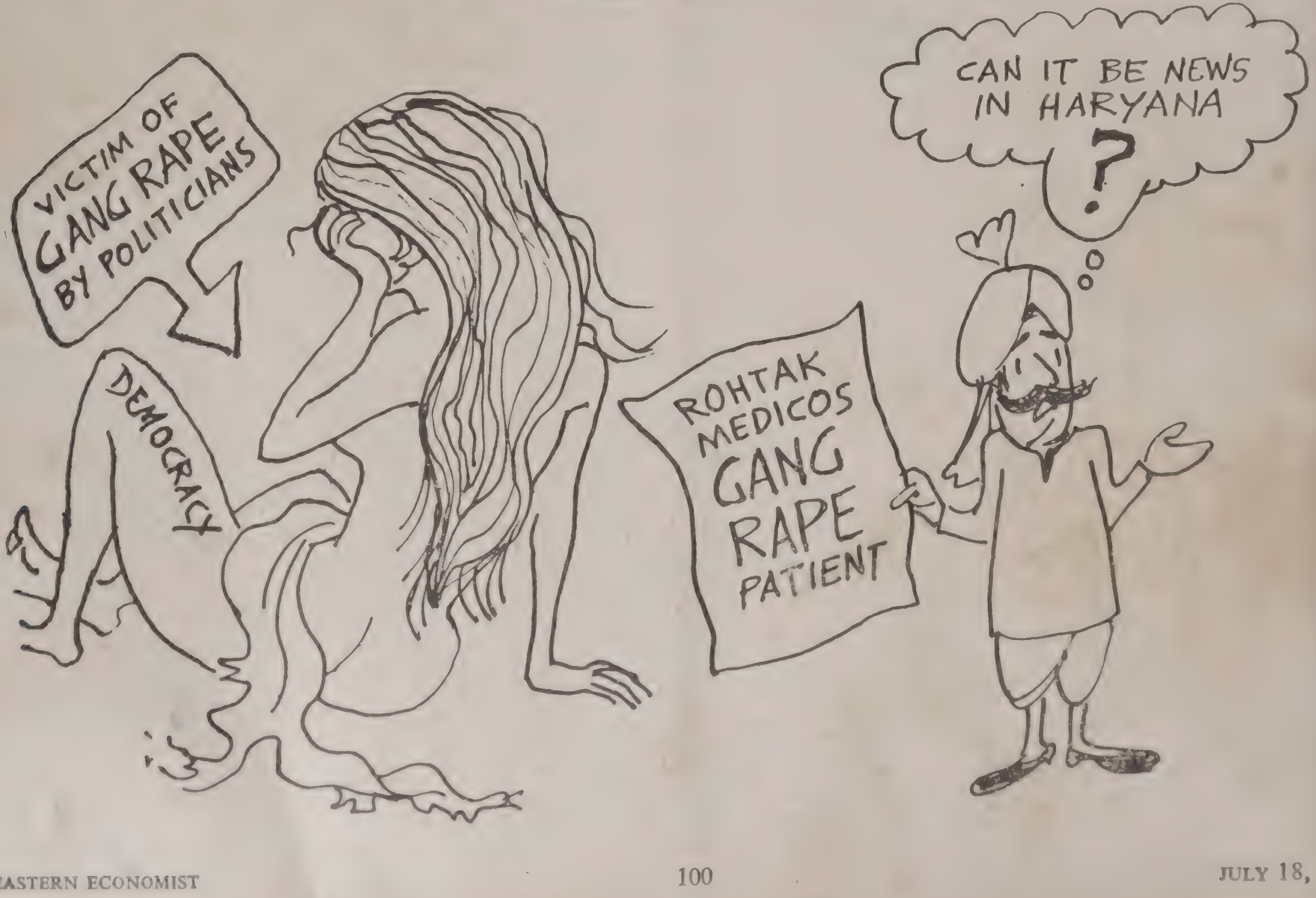
This has freed the members of the obligation of adhering the reference price and production quotas within the over- ceiling. The deliberations broke down due to failure of st members to accommodate Iran and a couple of other ntries for a raise in their production quotas, sorely needed bolster their revenue from oil. Iran's economy, for tance, indeed, has been hit hard by the prolonged con- t with Iraq : its reconstruction and development pro- mmes have received a grievous blow. It is therefore xious to raise its output to three million barrels a day m the level of 1.2 million barrels stipulated under the EC ceiling. Certain other countries (like Libya) require re revenue to assist their economic growth which has suffered due to fall in revenue following the deepening of recession in the developed countries. The smaller producers hoped that Saudi Arabia, whose production ceiling is seven million barrels a day, would slash production. This has not happened.

It is difficult to assess how far the prices of crude oil as well as refined products will now plunge. But some softening of these prices cannot be ruled out. A four-member ministerial committee is to monitor the market situation and will be meeting on August 20 to recommend adjustments in OPEC's policies. A full meeting of the members is proposed to be then called to see if a new accord can be reached on the functioning of the Organisation. It will be presumptuous to conclude that the cartel will breakdown soon. What can be expected is that OPEC will bring down the reference price to a more reasonable level in line with the emerging demand pattern. The structural adjustments being effected in the world economy in respect of the use of oil and the endeavours at energy conservation obviously cannot be ignored by the oil exporting countries whatever their expectations about revenue from this source. The hard-hit developing countries, thus, can look forward to some respite from the mounting oil import bills.

THIS 'N THAT by Kevy

SOME AGGRESSIONS ARE MORE EQUAL


DOWN WITH ISRAELI AGGRESSION ON LEBANON
AGGRESSION ON AFGHANISTAN IRAN KAMPUCHEA ETC.ETC.


VICTIM OF GANG RAPE BY POLITICIANS
DEMOCRACY
ROHTAK MEDICOS GANG RAPE PATIENT
CAN IT BE NEWS IN HARYANA ?

Asset Growth of Large Industrial Houses

P. Chattopadhyay

time when India requires massive e investment in different areas not d by the public sector, or even that are indeed covered, our policy omewhat dwarfed the growth of ence in going in for massive invest- and its efficient deployment in diffe- nes of activities. Indeed willynilly ve been sponsoring the cause of the ient, the cause of the designing he cause of the excuse-monger in ng the size of small units, in stunt- ne growth of skill and specialisa- n entrepreneurship and in nipping bud those innovative zeals that spelt industrial progress in most of vanced countries of the world. The of this policy is obvious. A large er of units in different lines of ties in the country have fallen sick.

Managerial Inefficiency

ile managerial inefficiency is blamed is phenomenon of growing sickness, hardly been made out that such ess has been in direct correlation the dilapidation of traditional insti- ns like managing agencies and ab- of reasonable substitutes thereof; -tight credit policy coming in the of utilisation of short term accom- tion by these units for tiding over tions not created by them and in ing for inputs and marketing of ts in a manner suitable for them ighly necessary from the point of of the country's economy.

r attitude to profit and profitability lso been rather frivolous in so far e reasonableness or otherwise of ts being determinants of, first of all, val of the units and, second, their th and prosperity and our recognition ch need has been very sluggish, if totally absent. A supposedly self- ining entity has to have profit as its t anchor. On the other hand, ssive controls and inadequacy of structure have put the units on the rhooks most of the time, particularly those units that put all their cards on the table and are dynamic and innovative as regards the policies pursued.

In the circumstances, it has become customary for us to look askance at healthy units and to suspect that something is fishy about them even when they play all their cards on the table. It is not realised that corporate inefficiency reflects on the coffers of the Government in two ways. One, the contributions to the country's exchequer, which flourishing units can make, come to a grinding helt, such contributions coming by way of direct and indirect taxes, investments in securities, etc. Two, Government in their anxiety to revive sick units have to dish out substantial amount of money required for bringing them back on the rail. These are direct consequences. If one consider the products sold to Government departments, the employment generated in the economy, the distribution of purchasing power among the people, various expenditures under social overheads and helping to raise standards of living of the people, these contributions would amount to a substantial total. Thus, what could have been substantial benefits to the Government and the people have ultimately turned out to be high costs. To call such policy measures pennywise is a mild expression of a disease that has gone to the extent of corporate health eating into its vitals day by day, totally contrary to the requirements of rapid growth under planning.

In the course of a written reply to a question in the Rajya Sabha on December 14, 1981, Mr P. Shiv Shankar, former Union Minister of Law, Justice and Company Affairs, disclosed some operational details of top seven industrial houses in this country. (See Tables I and II). These houses, to be sure, generally figure as Lilliputs in relation to world's top hundred companies in the private

TABLE I

Profitability Rates of Top Seven Industrial Houses

(Rs Crores)

Name of the Industrial House	Assets	Turnover	Profit before Tax	Profit before Tax as Percentage of Assets	Profit before Tax as %of Turnover	Assets as Percentage of Turnover
	(1)	(2)	(3)	(4)	(5)	(6)
Tata	1538.97	1942.90	110.03	7.15	5.66	79.21
Birla	1431.99	1845.20	121.15	8.46	6.56	77.61
Mafatlal	427.54	613.61	31.93	7.47	5.20	69.68
J.K.	412.72	436,63	18.21	4.41	4.17	94.52
Thapar	348.06	485.59	28.40	8.16	5.85	71.68
ICI	343.01	333.25	10.74	3.13	3.22	102.93
Hindustan Lever	219.30	469.49	31.37	14.21	6.68	46.71

Note: (a) Book values of assets do not present the real picture.
(b) The intrinsic differences in the charter of activities undertaken should be taken into view.
(c) The maıket conditions materially differed in these cases affecting profits.

Source: Written reply to a question in the Rajya Sabha given by the Union Minister of Law, Justice and Company Affairs, on December 14, 1981. Figures relate to 1979-80.

sector in terms of both capital and turnover. The dismally small paid-up capital per unit and industry-wise variations thereof have been shown in Table III.

Tatas Top

The figures suggest, the Tatas have reemerged as the leading industrial house in the country according to 1979-80 annual reports of some major industrial houses in the country. Birlas are a close second. What is characteristic of the two top industrial houses is that between 1972 and 1980, both the groups added twentysix new companies under their control. While the total asset of Tatas were Rs 1538.97 crores, turnover was of the order of Rs 1942.90 crores. In the case of Birlas, the assets were of Rs 1431.99 crores and turnover Rs 1845.20 crores. Mafatlal figured as the third, a rather distant one considering the figures of assets and turnover of the first two houses, in the case of Mafatlal, the assets touched a figure of Rs 427.54 crores, whereas turnover was of the order of Rs 613.61 crores. In the case of J.K. Singhania, the assets amounted to Rs 412.72 crores and turnover to Rs 436.63 crores. The house of Thapar had the asset figures at Rs 348.06 crores and turnover figures at Rs 485.59 crores while ICI and Hindustan Lever had Rs 343.01 crores and 333.25 crores in the case of the former and Rs 219.30 crores and Rs 469.49 crores in that of the latter.

Table I presents these details along with some operational ratios which have high significance from different points of view. Details of assets, turnover and profits are for one year only and thus do not reflect trends. Each house represents several companies in both similar and varying lines of activities located in different parts of the country. The details afford a context which should not be underplayed.

The three years to 1980 witnessed nearly fortyfive per cent growth in the value of the assets of the large industrial houses in the country. Revealing this Mr Shiv Shanker underlined that the faster growth had taken place in the assets of the Sarabhai group, followed by ICI and ACC, Thapars, J.K. Singhania, Mafatlals, Tatas, Bangur, Birlas and Larsen and Toubro. The increase in the assets in money terms of the top ten industrial houses has been given in Table II. The vein in which these figures were disclosed and the implications suggested smacked of greater concentration of economic power in these groups. Incidentally, all these houses have figured under the MRTP Act and their expansion and diversification are matters of close watch by the Government in the concerned Ministry and the MRTP Act and the Monopolies Commission.

TABLE II

Increase in Assets of Top Ten Industrial Houses

Industrial House	Assets 1980-end (Rs crores)	Increase over 1977 (percenage)
Tata	1538.97	44
Birla	1431.99	34
Mafatlal	427.54	50
J.K.	412.72	54
Thapar	348.00	61
Sarabhai	317.94	132
ICI	343.01	63
ACC	274.51	63
Bangur	264.33	40
Larsen and Toubro	246.48	33

It is in the context of our discussion on the philosophy of the corporate form that the figures presented by the Union Minister of Law, Justice and Company Affairs should be taken as potent pointers for canalising support and sponsorship rather than taking the units to task for showing signs of health. The up and coming units, call them industrial houses, may produce results more socially desirable than our attempts to revive dead horses at high costs. And in this respect the operational features of these units as disclosed by the Minister do not suggest anything contrary to social desirability or social susceptibility. In fact, the picture presented is just the contrary. Even the most up and coming of Indian enterprises appear to be on the verge of languishing at subsistence levels. In this respect, our observation is supported by the ratios that we have presented in columns 4, 5 und 6 in Table I where the first three columns are the figures that the Minister presented in his reply. The ratios h
been calculated on the basis of th
details. These ratios underline that b
gross margin and profit before tax h
been moderate in rates.

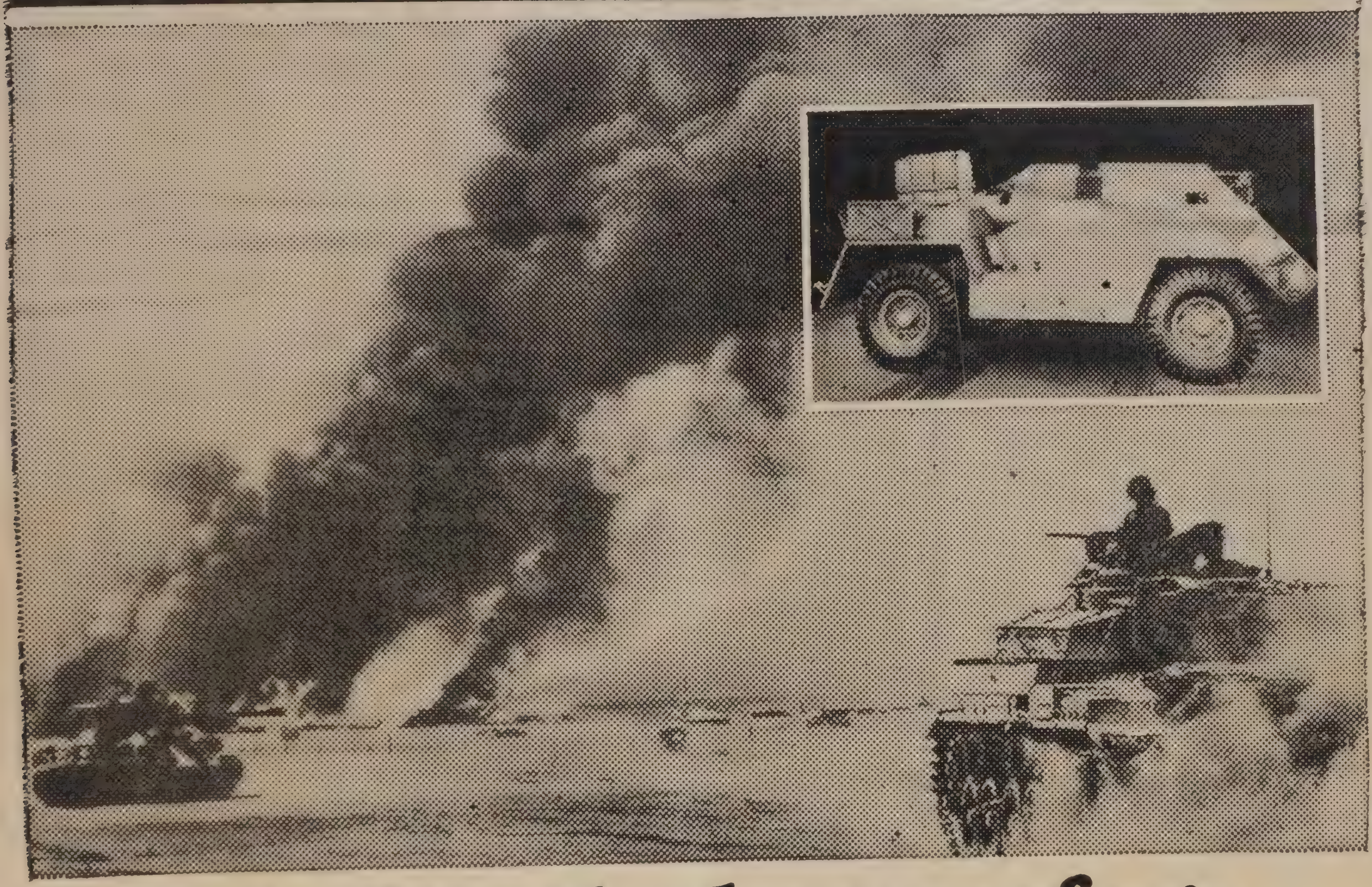
There are a few observations on th
figures that should be underscored
their relevance. First of all, the as
values indicated in the table are bo
values as they have appeared in
annual reports. Assets acquired o
time will have shown totally differ
values even though their productiv
and physical features may be not o
at par but also less. These figures
assets could have presented totally di
rent financial dimensions if one to
into view the inflationary price spiral
the economy during the period in wh
new assets were acquired. The year
year variations in the value of the ru
will have caused havoc with the physi
features of assets acquired. At consta
prices, weighted by technology differe
tials, these assets would have show
totally different picture. The Raj Co
mittee report on steel distribution lo
back referred to such a requireme
for purposes of comparison. Thou
the observations of the committee we
in a different context, these have hi
relevance to the present argument.

Turnover Scene

Second, turnover figures at current va
aggregate different rates of increases
prices and quantities sold. Turnover, ho
ever, does not present such a problem
cepting that different types of goods ha
remained subject to various controls bo
self-imposed and enforced from outsi
mainly by Government. When the pric
of inputs and outputs have between th
a lag, they show a totally different situ
tion even in turnover figures particula
where the total turnover consists of th
of different types of commodities mark
ed in different markets and at pric
varying with different market segme
such as exports vis-a-vis domestic mark
wholesalers vis-a-vis retailers, ru
vis-a-vis urban markets and so on.

Lastly, the intrinsic differences in t
character of the activities undertak
by the individual units under each
these industrial houses have been wi

World War II. When the 8th Army was confronting Rommel, not even a 75mm shell could pierce the 'Tatanagar.'



Tata Steel had come of age, ready to fight any battle.

But before Tata Steel proved its mettle in World War I, there was no dearth of sceptics. "Do you mean to say that Tatas propose to make steel rails to British specifications? Why, I will undertake to eat every pound of steel rail they succeed in making," said Sir Frederick Upcott, Chairman of the Railway Board.

If he had kept his word, he would have had, according to Sir Dorabji Tata, "some slight indigestion". Because 1500 miles of steel rails made by Tata Steel were supplied to Mesopotamia and earned a commendation from the Viceroy: "I can hardly imagine what we should have done...if the Tata Company had not been able to give us steel rails".

And in World War II, the 8th Army felt much the same about the 'Tatanagar', the armoured car built of Tata steel.

Quality is an obsession at Tata Steel. It is one more principle bequeathed to us by Jamsetji Tata who firmly believed that the pursuit of excellence is rewarded by progress and advancement. And that wealth generated by industry benefits the people and, thus, enriches the nation.

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TATA STEEL

1907-1982

TATA STEEL

What benefits the people, benefits the nation.

HTC-TJS-4563

and should be recognised instead of just adding figures arithmetically. These variation are both inter-company and intra-company in nature, embracing risk-taking market potential and competition. Though overtly it appears that earlier the period of asset acquisition greater the advantage, it is partly offset by the technological improvements and higher productivity of later technologies. With a close look at these assets in all respects, inflation-adjusted figures would present a totally different story. Book values blur the perspectives considerably.

It is, therefore, essential that instead of allowing figures to toss around and occasionally raising the brow about the concentration of corporate economic power, the lengthy debate on the subject should be set at rest by having a close look about the nature of concentration of corporate economic power, about the people who really wield power, and methods and systems of disclosing operational details can be worked out at depth and suitable action taken not only without having to choke vitality of corporate management and stunting growth in very many ways but also with provision for growth impulses. In the context of the Sixth Five Year Plan and the enhanced responsibilities thrust on the private sector in regard to hasten the pace of industrial growth, it is necessary that the psychosis of fear that now pervades the scene and the constrictive policies are reconsidered for granting such relaxations, recasting and perhaps remoulding as would be called for.

It is unfortunate that in India the average paid-up capital per company has remained dismally low. Table III is indicative of the low paid-up capital in respect of both non-Government and Government corporate sector in the country according to industrial groups. The first impression gathered therefrom is that they are too many. The table unfailingly indicates the go-by given to the ideas of scale economies, tenets of efficiency and a legitimate extent of profitability. Profit or surplus generation must be enough to sustain the concept of perpetual existence of the corporate bodies. It is not neces that this profitability comes only fr price hike. In fact, in none of the ca cited, the gross margin exceeds seven cent. Efficient operations can make lowering costs and corresponding red tion in prices while profitability wo get a boost through speedier procu ment-production-turnover cycle, accounting parlance, operation cycle.

There are companies operating in t country which charge the lowest gr margin per unit of sale but have t highest rate of return on capital e ployed. This phenomenon is not n in some companies, while indeed it ca be made wider. Hazards of efficien have already become far too many. Th is paradoxical from different points view. Time we removed these hazar before they become costlier. As lon as there is no complete nationalizatio of the economy, it is essential th normal growth impulses in the privat sector be allowed to fructify, within th parameters of surveillance and regula tions normally exercised to ensure fai practices

TABLE III

Industrial Pattern of Non-Government and Government Companies as on March 31, 1979

Industrial Classification	Non-Government Companies			Government Companies		
	Paid-up Capital per Unit			Paid-up Capital Per Unit		
	Public	Private	Total	Public	Private	Total
Agricultural and Allied Activities	0.1549	0.0225	0.0639	0.6320	1.4841	1.1754
Mining and Quarrying	0.2565	0.0403	0.0934	4.0700	47.6152	37.4930
Processing and Manufacture						
Foodstuffs, textiles, leather and products thereof	0.4067	0.0342	0.1265	1.2194	4.0712	2.8261
Metal and chemicals and products thereof	0.5542	0.0222	0.1004	4.1082	2.3641	13.6085
Not elsewhere classified	0.3929	0.0199	0.0803	3.1805	10.9270	6.8551
Constructian and Utilities	0.3024	0.0174	0.0730	1.9750	4.8069	3.9780
Commerce (Trade and Finance)	0.1509	0.0160	0.0340	2.6103	4.4586	3.7972
Transport, Communication and Storage	0.2511	0.1696	0.0395	1.7000	5.0083	3.2880
Community and Business Services	0.1189	0.0115	0.0208	3.5636	47.1098	39.3839
Personal and other Services	0.1288	0.0197	0.0298	0.4455	0.6154	0.5375
Total	0.3406	0.0206	0.0709	2.6563	16.1876	10.6333

Source : *Company News & Notes*: April 1980, Pp 27,28

THE JAMMU & KASHMIR BANK LIMITED

Abridged Balance Sheet and Profit & Loss Account
for the year ended 31st December, 1981.

(Amount in crores of Rupees)

BALANCE SHEET

PREVIOUS YEAR	LIABILITIES	1981
1.37	Capital and Reserves	4.68
191.67	Deposits	222.26
1.30	Borrowings	6.72
4.85	Bills payable	6.15
4.48	Bills for Collection being Bills Receivable as per Contra	7.70
22.20	Other Liabilities	27.44
13.20	Acceptances, Endorsements and other obligations per contra	19.16
239.07	Total :	294.11

PREVIOUS YEAR	ASSETS	1981
22.36	Cash in hand and with other Banks in Current Account (including Foreign Currency Notes)	33.98
56.74	Fixed Deposits with Banks	12.42
63.36	Investments	65.86
61.38	Advances	130.70
4.48	Bills Receivable being Bills for Collection as per contra	7.70
13.20	Constituents liability for Acceptances, Endorsements & other obligations per contra	19.16
17.55	Other assets	24.29
239.07	Total :	294.11

PROFIT & LOSS ACCOUNT

PREVIOUS YEAR	EXPENDITURE	1981
8.70	Interest paid on Deposits, Borrowings etc.	9.70
2.10	Establishment Expenses	2.53
1.04	Other Expenditure	1.65
0.23	Balance of Profit	0.29
12.07	Total :	14.17

PREVIOUS YEAR	INCOME	1981
11.63	Interest and Discount	13.50
0.32	Commission, Exchange and Brokerage	0.50
0.12	Other Income	0.17
12.07	Total :	14.17

Economic Analysis

The Economics of Being Poor

Theodore W. Schultz

MOST OF the people in the world are poor, so if we knew the economics of being poor we would know much of the economics that really matters. Most of the world's poor people earn their living from agriculture, so if we knew the economics of agriculture we would know much of the economics of being poor.

People who are rich find it hard to understand the behaviour of poor people. Economists are no exception, for they, too, find it difficult to comprehend the preferences and scarcity constraints that determine the choices that poor people make. We all know that most of the world's people are poor, that they earn a pittance for their labour, that half and more of their meagre income is spent on food, that they reside predominantly in low-income countries, and that most of them are earning their livelihood in agriculture. What many economists fail to understand is that poor people are no less concerned about improving their lot and that of their children than rich people are.

What we have learned in recent decades about the economics of agriculture will appear to most reasonably well-informed people to be paradoxical. We have learned that agriculture in many low-income countries has the potential economic capacity to produce enough food for the still-growing population and in so doing can improve factors of production in improving the welfare of poor people. The decisive factors of production in improving the welfare of poor people are not space, energy and cropland; the decisive factor is the improvement in population quality.

A widely held view—the natural earth view—is that there is a virtually fixed land area suitable for growing food and a supply of energy for tilling the land that is being depleted. According to this view, it is impossible to continue to produce enough food for the growing world population. An alternative view—the social-economic view—is that humankind has the ability and intelligence to lessen its dependence on cropland, on traditional agriculture, and on depleting sources of energy and can reduce the real costs of producing food for the growing world population. By means of research we discover substitutes for cropland, which Ricardo could not have anticipated, and as incomes rise parents reveal a preference for fewer children, substituting quality for quantity of children, which Malthus could not have foreseen. It is ironic that economics, long labelled the dismal science, is capable of showing that the bleak natural earth view for food is not compatible with economic history, that history demonstrates that we can augment resources by advances in knowledge. I agree with Margaret Mead: "The future of mankind is open ended." Mankind's future is not foreordained by space, energy and cropland. It will be determined by intelligent evolution of humanity.

Differences in the productivity of the soils are not a useful variable to explain why people are poor in long-settled parts of the world. People have been poor in India for ages both on the Deccan Plateau where the productivity of the rain-fed soils is low and in South India where the soils are highly productive. In Africa people on the unproductive soils of the southern fringes of the Sahara, on the somewhat more productive soils on the steep slopes of the Rift land-form, and on the highly productiv alluvial lands along and at the mout of the Nile all have one thing i common: they are very poor. Similarly, the much publicized differences i land-production ratio throughout th low-income countries do not produc comparable differences in poorness What matters most in the case o farmland are the incentives and associated opportunities that the farm people have to augment the effective supply of land by means of investments that include the contribution of agricultural research and the improvement of human skills.

A fundamental proposition documented by much recent research i that an integral part of the modernization of the economies of high and low-income countries is *the decline in the economic importance of farmland and a rise in that of human capital—skills and knowledge.*

Despite economic history, scratch an economist and you will find tha his ideas about land are still, as a rule, those of Ricardo. But Ricardo's concept of land, "the original and indestructible powers of the soil", is no longer adequate, if ever it was. The share of national income that accrues as land rent and the associated social and political importance of landlords have declined markedly over time in high-income countries, and they are also declining in low-income countries. Why is Ricardian Rent losing its economic sting? There are two primary reasons: first, the modernization of agriculture has over time transformed raw land into a vastly more productive resource than it was in its natural state, and second, agriculture research has provided substitutes for cropland. With some local exceptions, the original soils of ope were poor in quality. They today highly productive. The ginal soils of Finland were less ductive than the nearby western ts of the Soviet Union, yet today croplands of Finland are superior. anese croplands were originally ch inferior to those of Northern ia; they are greatly superior today. ne part of these changes, both in and low-income countries, is the sequence of agricultural research, uding the research embodied in chased agricultural inputs. There new substitutes for cropland (call and augmentation if you so prefer). substitution process is illustrated corn. The corn acreage harvested the United States in 1979 was 33 llion acres less than in 1932. Yet 7.76 billion bushels produced in 79 was three times the amount duced in 1932.

While land per se is not a critical tor in being poor, the human agent investment in improving popula- n quality can significantly enhance economic prospects and the wel- e of poor people. Child care, home d work experience, the acquisition information and skills through hooling and in other ways consist- primarily of investment in health d schooling can improve population ality. Such investments in low- ome countries have, as I shall w, been successful in improving economic prospects wherever ey have not been dissipated by poli- al instability. Poor people in low- ome countries are not prisoners of ironclad poverty equilibrium that onomics is unable to break. There no overwhelming forces that llify all economic improvements, using poor people to abandon the onomic struggle. It is now well cumented that in agriculture poor ople do respond to better oppor- nities.

The expectations of human agents agriculture—farm labourers and rm entrepreneurs who both work d allocate resources—are shaped by new opportunities and by the incentives to which they respond. These incentives are explicit in the prices that farmers receive for their products and in the prices they pay for producer and consumer goods and services that they purchase. These incentives are greatly distorted in many low-income countries. The effect of these Government-induced distortions is to reduce the economic contribution that agriculture is capable of making.

The "reason" why Governments tend to introduce distortions that discriminate against agriculture is that internal politics generally favour the urban population at the expense of rural people, despite the much greater size of the rural population. The political influence of urban consumers and industry enables them to exact cheap food at the expense of the vast number of poor rural people. This discrimination against agriculture is rationalized on the grounds that agriculture is inherently backward and that its economic contribution is of little importance despite the occasional "green revolution". The lowly cultivator is viewed as indifferent to economic incentives because it is presumed that he is strongly committed to his traditional ways of cultivation. Rapid industrialization is viewed as the key to economic progress. Policy is designed to give top priority to industry, which includes keeping foodgrains cheap. It is regrettable but true that this doctrine is still supported by some donor agencies and rationalized by some economists in high-income countries.

Farmers the world over, in dealing with costs, returns, and risks, are calculating economic agents. Within their small, individual, allocative domain they are fine-tuning entrepreneurs, tuning so subtly that many experts fail to recognize how efficient they are. I first presented an analysis of this entrepreneurial behaviour in *Transforming Traditional Agriculture* (Schultz 1964). Although farmers differ for reasons of schooling, health and experience in their ability to perceive, to interpret and to take appropriate action in responding to new information, they provide an essential human resource which is entrepreneurship (Welch 1970, 1980; Evenson 1978). On most farms there is a second enterprise, the household. Women are also entrepreneurs in allocating their own time and in using farm products and purchased goods in household production (Schultz 1974). This allocative ability is supplied by millions of men and women on small-scale producing units; agriculture is in general a highly decentralized sector of the economy. Where Governments have taken over this function in farming they have prevented this entrepreneurial talent from being used, and these Governments have been unsuccessful in providing an effective allocative substitute capable of modernizing agriculture. The allocative roles of farmers and of farm women are important, and their economic opportunities really matter (Schultz 1978a).

Entrepreneurship is also essential in research. All research is a venturesome business. It entails allocating scarce resources. It requires organization. Someone must decide how to allocate the limited resources available for research, given the existing state of knowledge. The very essence of research is that it is a dynamic venture into the unknown or partially known. Funds, organizations and competent scientists are necessary. They are not sufficient. Research entrepreneurship is required, be it by scientists or by others engaged in the research sector of the economy (Schultz 1979a).

The transformation of agriculture into an increasingly more productive state, a process that is commonly referred to as "modernization", entails all manner of adjustments in farming as better opportunities become available. I have shown that the value of the ability to deal with disequilibria is high in a dynamic economy (Schultz 1975).

Such *disequilibria are inevitable*. They cannot be eliminated by law, by public policy, and surely not by rhetoric. Governments cannot perform efficiently the function of farm entrepreneurs.

I now turn to measurable gains in the quality of both farm and non-farm people (Schultz 1979b, 1979c). Quality in this context consists of various forms of human capital. I have argued elsewhere (Schultz 1974) that, while a strong case can be made for using a rigorous definition of human capital, it will be subject to the same ambiguities that continue to plague capital theory in general and the capital concept in economic growth models in particular. Capital is two-faced, and what these two faces tell us about economic growth, which is a dynamic process, are, as a rule, inconsistent stories. It must be so because the cost story is a tale about sunk investments, and the other story pertains to the discounted value of the stream of services that such capital renders, which changes with the shifting sands of growth. But worse still is the capital homogeneity assumption underlying capital theory and the aggregation of capital growth models. As Hicks (1965) has taught us, the capital homogeneity assumption is the disaster of capital theory. This assumption is demonstrably inappropriate in analyzing the dynamics of economic growth that is afloat on capital inequalities because of the differences in the rates of return, whether the capital aggregation is in terms of factor costs or in terms of the discounted value of the lifetime services of its many parts. Nor would a catalogue of all existing growth models prove that these inequalities are equals. But why try to square the circle ? If we were unable to observe these inequalities, we would have to invent them because *they are the mainspring of economic growth*. They are the mainspring because they are the compelling economic signals of growth. Thus, one of the essential parts of economic growth is concealed by such capital aggregation.

The value of additional human capital depends on the additional well-being that human beings derive from it. Human capital contributes to labour productivity and to entrepreneurial ability. This allocative ability is valuable in farm and non-farm production, in household production, and in the time and other resources that students allocate to their education. It is also valuable in migration to better job opportunities and to better locations in which to live. It contributes importantly to satisfactions that are an integral part of current and future consumption.

My approach to population quality is to treat quality as a scarce resource, which implies that it has an economic value and that its acquisition entails a cost. In analyzing human behaviour that determines the type and amount of quality that is acquired over time, the key is the relation between the returns from additional quality and the costs of acquiring it. When the returns exceed costs, the stock of population quality will be enhanced. This means that increases in the supply of any quality component are a response to a demand for it. It is a supply-demand approach to investment behaviour because all quality components are here treated as durable scarce resources that are useful over some period of time.

My hypothesis is that the returns to various quality components are increasing over time in many low-income countries; the rents that entrepreneurs derive from their allocative ability rise, as do the returns to child care, schooling and improvements in health. Furthermore, the rates of return are enhanced by the reductions in the costs of acquiring most of these quality components. Over time the increases in the demand for quality, in children and on the part of adults in enhancing their own quality, reduce the demand for quantity; that is, quality and quantity are substitutes, and the reduction in demand for quantity favours having and rearing fewer children (Becker and Tomes 1976; Rosenzweig and Wolpin 1978). The movement towards quality contributes to the solution of the population "problem."

Human capital theory treats everyone's state of health as a stock, that is, as health capital and its contribution as health services. Part of the quality of the initial stock is inherited and part is acquired. The stock depreciates over time and at an increasing rate in later life. Gross investment in human capital entails acquisition and maintenance costs. These investments include child care, nutrition, clothing, housing, medical services and the use of one's own time. The flow of services that health capital renders consists of "healthy time" or "sickness-free time," which are imputs into work, consumption, and leisure activities (Grossman 1972; Williams 1977)

The improvements in health revealed by the longer life-span of people in many low-income countries have undoubtedly been the most important advance in population quality. Since about 1950, life exppectancy at birth has increased 40 per cent or more in many of these countries. People of Western Europe and North America never attained so large an increase in life expectancy in so short a period The decline in mortality of infants and very young children is only part of this achievement. The mortality of old children, youths and adults is also down.

Ram and Schultz (1979) deal with the economics of these demographic developments in India. The results correspond to those in other low-income countries. In India from 1951 to 1971 life expectancy at birth of males increased by 43 per cent and that of females by 41 per cent. Life-spans over the life cycle after age 10, 20, and on to age 60, for both males l females in 1971, were also decided- longer than in 1951.

The favourable economic implica- ns of these increases in lifespan pervasive. Foremost are the satis- tions that people derive from ger life. While they are hard to asure, there is little room for doubt t the value of life expectancy is anced. Measurement, however, is t possible. Usher (1978) devised ingenious extension of theory to ermine the utility that people derive m increases in life expectancy. His pirical analysis indicates that the ditional utility increases substantial- the value of personal income.

Longer lifespans provide additional entives to acquire more education investments in future earnings. rents invest more in their children. ore on-the-job training becomes rthwhile. The additional health pital and the other forms of human pital tend to increase the producti- ty of workers. Longer lifespans re- lt in more years of participation in e labour force and bring about a duction in "sick time". Better health d vitality of workers in turn lead to ore productivity per hour at work.

The Ram-Schultz study (1979) pro- des evidence on the gains in the pro- uctivity of agricultural labour in dia, realized as a consequence of mprovements in health. The most lling part of that evidence is the pro- uctivity effect of the "cycle" that has haracterized the malaria programme.

Education accounts for much of the mprovement in population quality. ut reckoning the cost of schooling, he value of the work that young hildren do for their parents must be ncluded. Even for the very young hildren during their first years of chool, most parents forgo (sacrifice) he value of the work that children erform (Shortlidge 1976; Makhija 977; Rosenzweig and Evenson 1977). Another distinctive attribute of school- ng is the vintage effects by age over ime. Starting from widespread illi- eracy, as more schooling per child is achieved the older adults continue through life with little or no schooling, whereas the children on entering into adulthood are the beneficiaries.

The population of India grew about 50 per cent between 1950-51 and 1970-71. School enrolment of children ages 6-14 rose over 200 per cent. The rate of increase in secondary schools and universities was much higher (Government of India 1978). Since schooling is primarily an investment, it is a serious error to treat all schooling outlays as current consumption. This error arises from the assumption that schooling is solely a consumer good. It is misleading to treat public expenditures on schooling as "welfare" expenditures and as a use of resources that has the effect of reducing "saving." The same error occurs in the case of expenditures on health, both on public and private account.

In assessing population quality, it is important not to overlook the increases in the stock of physicians, other medical personnel, engineers, administrators, accountants and various classes of research scientists and technicians (Schultz 1979*d*).

The research capacity of a considerable number of low-income countries is impressive. There are specialized research institutes, research units within governmental departments, industrial sector research, and ongoing university research. The scientists and technicians engaged in these various research activities are university trained some of them in universities abroad. The research areas include, among others, medicine, public health (control of communicable diseases and the delivery of health services), nutrition, industry, agriculture, and even some atomic energy research. I shall touch briefly on agricultural research, because I know it best and because it is well documented.

The founding and financing of the International Agricultural Research Centres is an institutional innovation of a high order. The entrepreneurship of the Rockefeller Foundation in cooperation with the Government of Mexico first launched this type of venture. But these centres, good as they are, are not a substitute for national agricultural research enterprises. Suffice it to give the flavous of the remarkable increases in the number of agricultural scientists between 1959 and 1974 in 22 selected low-income countries. All told, the number of scientist man-years devoted to agricultural research in these 22 countries increased more than three times during this period. By 1974 there was a corps of over 13,000 scientists, ranging from 110 in the Ivory Coast to over 2,000 in India (Boyce and Evenson 1975). Indian agricultural research expenditures between 1950 and 1968 also more than tripled in real terms.

We came to the bottom line. In India this investment in agricultural research has produced exccellent results. An analysis by States within India shows the rate of return has been approximately 40 per cent, which is indeed high compared with the returns from most other investments to increase agricultural production (Evenson and Kislev 1975).

While there remains much that we do not know about the economics of being poor, our knowledge of the economic dynamics of low-income countries has advanced substantially in recent decades. We have learned that poor people are no less concerned about improving their lot and that of their children than those of us who have incomparably greater advantages. Nor are they any less competent in obtaining the maximum benefit from their limited resources. The central thrust of this lecture is that population quality and knowledge do matter. A goodly number of low-income countries have a positive record in improving population quality and in acquiring useful knowledge. These achievements imply favourable economic prospects, provided they are not dissipated by politics and Governmental policies that discriminate against agriculture.

(This is the edited version of the Nobel Lecture 1979).

Coal Target Scaled Up

THE UNION Department of Coal appears to have shed its conservatism in fixing this year's production goal. The originally envisaged target of 133 million tonnes has been scaled up to 135.5 million tonnes after witnessing the performance in the first quarter itself during which output has been around 29.5 million tonnes, eight per cent more than during the corresponding period last year. Normally, adjustments in targets are effected after about six months.

The revised target, incidentally, is higher by the above percentage than the 124.9 million tonnes estimated production last year. As the summer months are not very conducive to the raising of coal, especially when absenteeism among the workforce goes up due to rabi harvesting operations, the eight per cent increase in output during the three months to June augurs well for the accomplishment of the scaled-up target.

The original targets were revised during the past two years as well from 111 and 121 million tonnes to 113 and 124 million tonnes. With production recorded at 114 million tonnes in 1980-81 and 124.9 million tonnes last year, they were exceeded by about a million tonnes each time.

Winter Raisings

The spurt in output accrued primarily in the winter months. This suggests that, if necessary, the output this year can be stepped up even more markedly than contemplated under the revised target. With 21.1 million tonnes stock at the pitheads on April 1, an output of 135.5 million tonnes, of course, should suffice to meet the requirements very comfortably.

In fact, in view of the improved availability, a new distribution scheme has been introduced recently for providing coal near the consuming centres and through single contract system straight from the collieries. Eighty-five collieries are covered by this scheme currently. More are likely to be covered in the near future.

This has resulted in despatches during April to June improving by 6.2 per cent and making the stock position with the bulk priority consumers quite comfortable. The steel plants, for instance, are said to be having stocks exceeding six lakh tonnes. The position of thermal power stations as well as such industries as cement is claimed to be easy. Adequate supplies of coal, coupled with better maintenance, in fact, has helped in raising the load factor at the thermal power stations to 51.5 per cent during June from 47.2 per cent a year ago. It is felt that coal supplies will not stand in the way of raising the load factor to 56 per cent by the end of the year.

Healthy Development

Another healthy development on the coal front has been that transportation by rail has been augmented a great deal, containing movement by road which had been showing an upward trend till about 1½ years ago.

The entire additional output of 2.5 million tonnes in terms of the revised target for this year, incidentally is to accrue from Coal India Ltd, reflecting sizeable improvement in the performance of this premier coal production agency in the country. Nearly half of the additional production this year, over the last year, is to be obtained from open mining and the remainder half from deep mining.

With a view to keeping up the tempo of production in the coming
clearance of new projects is
expedited. A number of project
stated to have already been sanct
for the Seventh Plan period.

Tourist Boom; Er, I Mean Slump

EARNINGS FROM tourism are boom
says the Reserve Bank—a whac
Rs 721.5 crores in 1979. No, says
Department of Tourism, receipts
Rs 384 crores. The RBI feels it sh
know best, as it has hard cash in
vaults to prove it. The Department
Tourism feels it should know best,
is the Department in charge. In 1
the difference between their two estim
was only 14 per cent. It has ri
steadily to 88 per cent in 1979. And
we are left wondering if tourism is re
a big boom industry or merely a mo
rate growth industry.

How do we explain such grow
divergence in the two official estima
on the same parameter? At the outs
it should be noted that whereas the R
data shows expenditure actually incurr
by non-resident travellers during th
stay in the country, the Ministr
estimates are mere projections, whi
are based on the per capita avera
expenditure of tourists from differe
countries as obtained from the surve
conducted from time to time.

To some extent, the difference in t
estimates can be accounted for by th
concepts adopted. The Department
Tourism, for example, does not rega
the following as 'foreign tourists': Pe
sons arriving, with or without a contrac

up an occupation or engage in s remunerated from within the ; persons coming to establish e in the country; and 'excur- i.e. temporary visitors staying an twenty-four hours in the (including travellers on cruises). important, however, is the ex- from the Department's statistics nals of Pakistan and Bangladesh; ls of Nepal entering India through tes; and all foreigners entering om Bhutan by land.

fficial surveys, conducted by the ment of Tourism, are carried out an ad hoc basis. For instance, ings for the years 1976 to 1980 ed on the results of the 'Foreign Survey' conducted in 1976-77, the receipts for the years 1970 were estimated on the basis of ey results of earlier years.

is, by the time the survey results ected and tabulated the data is one and a half years old. There- till the next survey is done, ad- t is made for price changes, urist arrivals and their period of Undoubtedly, the sample survey n to eight lakh tourists is a task in view of the language in case of some of the foreigners patience and skill required of erviewers. The actual survey is ted by a research Institute while partment of Tourism monitors it y step. Thus, while the Adminis- Staff College, Hyderabad, con- the survey in 1976-77, the Indian cal Institute of Calcutta has been ssioned in the current year.

n Exchange Earning from Tourism

(in Rs crores)

Dept. Tourism	RBI —	% Diffe- rence
225.0	256.1	13.8
283.0	449.8	58.9
338.0	563.4	66.7
384.0	721.5	87.9
482.0	—	—

Even if a little underestimation of receipts from tourism by the Department is accepted, the difference compared to the RBI actual receipts remains significant and largely unaccountable.

Given in Col. 1 is a table showing foreign exchange earnings from tourism, as released by the Department and the RBI.

Drive for Discipline

WHEN MR Jyoti Basu recently directed the Government employees to report for duty on time, many thought that he was only issuing a routine circular. Such appeal had been made in the past but they had little effect in ensuring timely attendence in offices. Now the Chief Minister seems determined to see that his orders are obeyed. The scheduled hours of work are from 10.30 to 5.30. But till now few employees used to arrive in office even by 11 while they would start leaving in the evening by 4.30. Mr Basu has warned that if they do not come to office by 10.45 they would be penalised according to the rules.

Mr Basu should have taken up this matter in right earnest soon after he formed his first ministry in June 1977. But for five long years the situation was allowed to drift. The Chief Minister was, of course, fully aware of the consequences of the employees' indifference to work. But he probably thought that an attempt to enforce discipline in regard to attendence and other matters would make the Left Front lose the goodwill of the employees. Now Mr Basu feels that the time has come to govern. The Left Front has been returned to power with a large majority and the CPI(M) in particular has greatly strengthened its influence. The Government therefore can afford to adopt a tough attitude in dealing with its employees even though, in doing so, it may lose some of their support. But the Government will rise in the esteem of the people when they find that, at last, work is taken seriously in Writers' Building.

The need to remove laxity in administration has assumed urgency in the context of New Delhi's decision to limit overdrafts. This approach has caused some concern to the Government of West Bengal since it has now become necessary to be careful in incurring expenditure. Mr Basu has ordered some economy measures and has instructed all departments to avoid waste and extravagance. The Chief Minister has realised that fiscal discipline can be enforced effectively only when there is discipline in every aspect of the administration.

Mr Basu has requested his cabinet colleagues to see that employees in their departments report for duty on time. It is hoped that he will get the full support of all the constituents of the Left Front in his efforts to tone up efficiency. It is true that, under the Constitution, the State Government has only limited powers. Even so, it can do enormous good to the people if it can evoke the sincere cooperation of the employees in various departments.

Apart from ensuring timely attendence, the Government has to take other measures to create a climate conducive to work. In no other State are there so many Government holidays as in West Bengal. Besides the notified holidays, offices are closed to celebrate victory in a sports event or to mourn the death of a VIP or for other reasons. Semetimes, employees are allowed to leave their office early to enable them to attend the rallies organised by political parties. Avove all, the Government's attitude to bandhs is also responsible for encouraging disregard for office rules. The Congress(I) said in its election campaign that, during the Left Front regime, "Government sponsored bandhs were celebrated like festivals". Mr Basu and his ministers therefore have to change their approach in many directions in order to create a strong motivation among their employees to do their job.

R. J. Venkateswaran writes from Calcutta

It should be said, in fairness to Mr Basu, that defiance of office rules is not confined to Writers' Building. The pernicious practice prevails also in the offices of the Government of India in West Bengal. All over the country, in the nationalised banks and the Life Insurance Corporation, late attendence and lethargy in work have become widespread and the Central Government has been able to do little to improve this situation. It will therefore be a creditable achievement for Mr Basu if he succeeds in instilling a sense of discipline and dedication among the Government employees.

Evening of Jute Mills

THE UNION Finance Minister, Mr Pranab Mukherjee, declared in Calcutta recently that he was not in favour of nationalising the jute industry. The Left Front had demanded both before and after the Assembly election that the industry should be nationalised. The fact that, in the meanwhile Dacca decided to denationalise its jute industry, did not seem to have made any impact on the Front's approach. It remains to be seen whether, in view of the Union Finance Minister's statement, the leaders of the Front would refrain from persisting in their plea for nationalisation. The industry has been passing through one crisis ofter another, to which New Delhi, the State Government, the management, and the trade unions have made their own contribution. The time has now come for all of them to adopt a pragmatic approach so that the industry can continue to play its significant role in the country's economy especially in providing employment and earning more foreign exchange.

Early in June this year the Indian Jute Mills Association suggested to the Government of West Bengal that the mills should be allowed to resort to block closure for one week every month in order to correct the demand-supply imbalance. The industry pointed out that measures to reduce and regulate production had become imperative because of its inability to realise remunerative prices in the domestic and foreign markets. The Government however did not agree to this proposal since it would hurt the interests of workers and growers. The mills therefore decided to introduce a scheme under which production would be suspended between 6 p.m. and 10 p.m. every day for the next three months. The mills have been using the captive generators since they are not permitted to take power from the State grid during these hours. By stopping production the mills hope to reduce their costs of manufacture to some extent and cope with the situation arising from the lack of adequate demand. The workers are being paid 50 per cent of their wages for the lay-off period. Of the 62 mills in the State 46 are operating at present. The total number of jute workers is nearly 250,000. The National Jute Manufacturers' Corporation also decided to stop production for four hours in the evening. According to the Labour Minister, Mr Krishnapada Ghosh, the suspension of production is "not illegal". He explained that the State Government had no authority to take action against the mills for this decision.

Trade Union Opposition

The trade unions have strongly opposed the lay-off of labour and have stressed the need for organising a continuous and massive movement to record their protest. They have described this move "anti-worker, anti- peasant and anti-national". The President of the Federation of Chatkal Mazdoor Unions, Mr Indrajit Gupta, and the Secretary, Mr B. Roychoudhury, have said that the crisis in the industry has been caused by its speculative practices, neglect of long-term interests, and "the relative case with which concessions could be had from a pliable Central Government". But these leaders did not say anything about the role of the Government of West Bengal in causing the present crisis. Its failure to tackle the power problem has forced the jute industry to spend about Rs 45 crores in installing captive generators which have enormously pushed up the costs of production. This money could have been utilised to modernise the mills if the State and the
Central Government had create
conditions favourable for implem
this scheme and the industry ha
shown a greater awareness of the
need to equip itself with up-t
machinery,

Meanwhile, a delegation head
the Jute Commissioner, Mr S.P.
which recently visited Australi
Japan, has found considerable sco
increasing the export of jute goo
these countries. It has identified c
trade practices like unfair compe
among exporters as being respo
for the set-back in these markets
has stressed the need to ensure re
sailings, reduce the shipping f
rates, undertake production specif
to suit importers' requirements, an
up a consortium with Bangladesh,
of these proposals like lowering
shipping freight rates will not be
to implement immediately but,
others, Government and industry sh
take prompt action. Export pros
to the rest of the world markets
also be improved by strengthening
industry's competitive capacity. It
be unfortunate if the present situa
caused by the suspension of produ
in the evening hours, leads to conf
tation with labour and creates
impression abroad that the jute ind
has reached the evening of its existe

Growth and Roads

IT IS surprising how even trade b
and professional associations can
wrong in projecting their image
recent instance was provided by a w
shop organised by the Indian Roads
Transport Development Associatio
Bombay. The theme of the work
was "Growth Without Roads".
idea evidently was to show whether
nomic growth was possible without
per development of roads. But does
title chosen convey this ? It is not
prising that Mr Pranab Mukhe
Union Finance Minister, who inaug
ed the seminar, should have seized
opportunity to point out how the

misleading. The appropriate title
d perhaps have been "Economic
vth and Road Development".

: Pranab Mukherjee gave some sta-
s to show how despite some con-
nts this sector has experienced sub-
ial growth in the last three decades.
total road length, which was 3.98
kilometres in 1950-51 has grown
.75 lakh kilometres in 1980-81. The
number of motor vehicles has gone
sharply from 304,000 in 1950-51
-1.1 lakhs in 1979-80. During this
d the number of buses increased
about 35,000 to 133,000 and
ks from about 52,000 to 436,000.
proportion of goods traffic to the
l carried by road transport increas-
rom 11 per cent in 1950-51 to 32 per
in 1977-78. During this period the
portion of passenger traffic increased
n 25 per cent to 59 per cent. Mr
kherjee claimed that all this was pos-
e because of concerted efforts. The
re of road transport sector in the
lic sector outlay has varied between
nd 30 per cent.

T.T. Vijayaraghavan writes from Bombay

ut as a background paper prepared
the workshop points out our road
tem is plagued by qualitative deficien-
; and quantitatively the network is far
m being adequate. Our national high-
ys measuring a length of 31,000 kms
ount for hardly 5 per cent of the total
gth of surfaced roads. But they carry
out 25 per cent of the aggregate
ight traffic. It would appear that not
ingle km of national highways has
vement strong enough to bear with the
rrent level of traffic. Nearly one-third
the total length of the national high-
ys has only single lane carriage-
y. In about 2000 kms of two-lane
riageways, the traffic intensity is far
ove capacity and extending the car-
geway to four lanes has become a
cessity. An estimated outlay of Rs 2500
ores would be needed to upgrade the
tional highways to meet the require-
ents of traffic. As regards village roads,
ey are woefully inadequate. In quanti-
tive terms 7 out of 10 villages, even
today, lack all-weather approach roads. It has been estimated that about Rs 11,000 crores—a fantastic sum—would be needed to serve the needs of rural India.

The point is even after specific outlays are targeted in the Plans, allocations fall short resulting in non-fulfilment of objectives. Vicissitudes of annual budget allocations have tended to accord road programmes a low priority. This has meant a tremendous underfeeding of funds for the development of roads. Again as Mr B.N. Reporter, President of IRTDA, pointed out, even where funds were allotted the machinery for administrative processing of schemes and execution of projects, both in the public and private sectors, show conspicuous shortcomings. This invariably results in overruns in terms of cost and time.

Assured Allocation

It is obvious, therefore, that if road programmes are to progress in step with traffic needs there is need for assured allocations of funds. A separate road budget had been suggested long ago. But no progress has been made. It has also been pointed out that 75 to 80 per cent of tax revenues from road transport should be earmarked for road development and maintenance. It is time that this problem was faced squarely. Mr Reporter also urged the need for setting up a Transport Development Finance Corporation to channel adequate funds for all requirements of road transport units both in private and public sectors. He further pleaded for modifications in the existing policy so as to restore the pre-credit squeeze availability of adequate funds for genuine transport operators to purchase all types of commercial vehicles.

Yet another sound suggestion that he made was for the substitution of octroi by an alternative levy and reduction of several checkposts into a joint checkpost at State borders. This, he said, offered a virgin area for creating a productivity bonanza through about 35 per cent enhanced utilisation of existing goods vehicles numbering over 500,000. The workshop has been useful in airing suggestions. How far the Government would respond is anybody's guess.

Rubber Industry's Woes

A PERENNIAL problem in the rubber sector is the clash of interests between the rubber plantation industry and the rubber consuming industry. It is not, therefore, surprising that while addressing the annual general meeting of the All India Rubber Industries Association in Bombay, Mr V.K. Modi should have drawn attention to this aspect. He suggested that the Rubber Board should be restructured so as to give parity of representation between producers and consumers. At present, he said, it was heavily in favour of the plantation sector with only minority representation being given for the rubber industry. Another suggestion he made was for the setting up of a separate Development Council for the industry. This would serve as a common forum where all matters affecting the rubber industry could be discussed and suitable plans formulated. Pending the formation of such a body, he pleaded for the calling of a Round Table Conference of the concerned interests at regular intervals. It would appear that actually such a meeting was convened three years ago, but for reasons not known, this practice was discontinued. It should be a matter of gratification, however, that Mr Abid Hussain, Commerce Secretary, who inaugurated the meeting should have lent his support to the suggestion for a common forum. He underlined that greater interaction was necessary between the plantation industry and the users for striking a balance between their respective demands.

Natural rubber is the industry's basic raw material. The industry which has been going through a critical phase suffering under the handicaps of short supplies and high prices of natural rubber has, therefore, been trying to obtain the necessary relief by way of lower prices as well as by way of adequate supplies. It may be mentioned that the production of natural rubber has remained more or less stagnant during the last five years at about 1,50,000 tonnes. With no prospects of new areas coming into maturity, the present situation may persist for some more years. At the same time it is a matter of concern that the per hectare yield for natural rubber, which reached the high water mark of 806 kilograms in 1976-77 should have declined to 710 kilograms at present. Obviously if these trends continue, production of natural rubber would go down further. In contrast to these trends in production, the consumption of natural rubber by the industry has been on the increase, the growth rate varying between 5 and 10 per cent per year during the last five years. In 1981-82, the average monthly consumption has come to stabilise at 17,000 tonnes. The stocks of natural rubber have also been dwindling and are far short of even the three months average consumption during the best part of the year. The industry has, therefore, been pleading with the Government to revert to 4 months' stock norms on the basis of which the deficit between demand and supply can be arrived at and adequate stocks made available in the country itself to meet any shortage that the industry may face. In this context it has been suggested that there is a need to introduce a buffer stock scheme to impart stability to rubber prices and its supplies and here the offer of the Malaysian Development Corporation to maintain stocks at their own cost in India should be accepted.

Besides this, the industry has made a number of suggestions both short-term and long-term, to meet the situation. Among the short-term measures are 1) Import of natural rubber should be allowed duty-free on a regular basis 2). Sales tax on imported rubber and the customs duty of 8 per cent should be waived. 3) The rate of cess on natural rubber should be revised downwards and the collection of additional cess should be suspended. 4) The capacity utilisation of the two synthetic rubber plants at present is no more than 50 per cent and they hardly produce about 28,000 tonnes of synthetic rubber per year between the two and Government should persuade them to achieve their full installed capacity in the shortest possible time.

Among the long-term measures posed are 1) Natural rubber cultiv should be encouraged in the non-t tional areas viz, Tamil Nadu, Karna Goa, Maharashtra, Assam, Tripura Andaman-Nicobar Islands. Since ral rubber has a gestation perio seven years, any delay in embar upon a massive new plantation sch would only prolong our dependence imports. 2) A third synthetic p should be sanctioned for manufactur a minimum 50,000 tonnes of gen purpose synthetic rubber. 3) Gov ment should consider the setting up butyl rubber plant.

Mr Abid Hussain, however, did fail to make the point that while rubber goods industry was pleading more imports of rubber, it should a intensify its efforts in the export ta South-East Asian countries offered good potential for the export of conv tional tyres and this position should exploited. Indian rubber products w comparable qualitywise with any int national products but proper m keting and advertising efforts w lacking.

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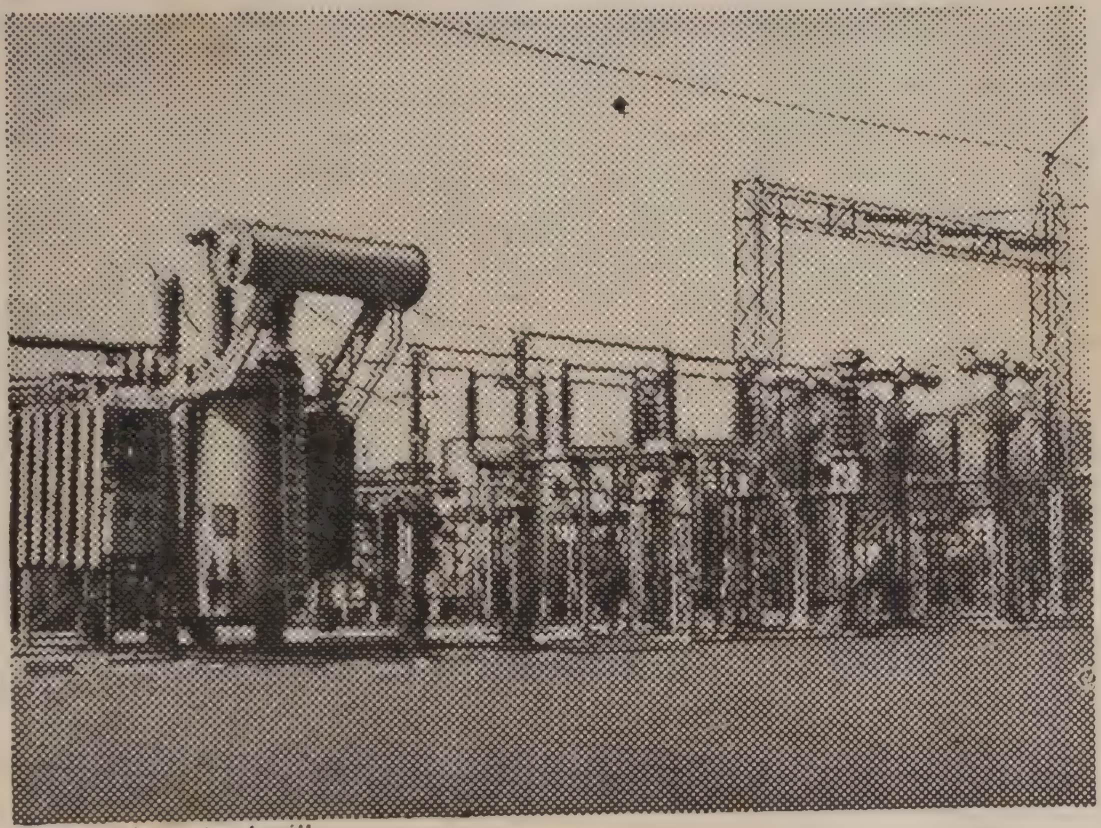

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Window on the World

Old Will Outnumber Young by 2025

DRAMATIC CHANGES in the age structure of world population are revealed in a new United Nations report.

The baby boom is finished and growth of the over-60s is now outstripping all other age groups. By 2025 there will be more than a billion people aged over 60 and for the first time in history they will outnumber the young in many countries.

High on the agenda for delegates from 120 countries to the United Nations World Assembly on Aging, meeting in Vienna on July 26, will be ways of coping with the economic impact of population aging: how can a proportionately shrinking workforce support growing numbers of old people? And according to the UN, the search for solutions cannot wait. "The elderly of the future are already among us" warns William Kerrigan, Secretary-General of the Assembly, "and unless we do something about the problems of aging today they will reappear with a vengeance tomorrow."

Gigantic Problem

Only in the past few months have United Nations demographic experts discovered the extent of the aging population explosion predicted for early next century. It is the first time that worldwide projections of aging have been taken beyond the year 2000. "Unlike many computer predictions" says Kerrigan "these are based on known facts: the over 60s of 2025 are alive today—aged 17 and over—in huge numbers." And as birth rates drop so the proportion of over 60s will increase—topping 25 per cent in industrialised countries like Japan, France and the United Kingdom.

But the sharpest effects of population aging will be felt in developing countries. Today their populations are strikingly young—with up to 50 per cent aged under 25. But by 2025, when nearly three-quarters of over 60s will live in the Third World, countries like Bangladesh, Brazil, Mexico and Nigeria will see their over 60s increase by up to 15 times since 1950. And so the centuries old population pyramid will begin to turn upside down; old will outnumber the young in all developing countries. In some, like China, one generation will witness a complete transformation to an age structure like that in Western Europe in the 1950s.

Rapid Shift

The reasons for population aging are simple: two decades of development efforts have successfully lowered fertility and mortality. As fertility drops and the children of the 'baby boom' live longer, so the proportion of old people rises. In developing regions like East Asia, the shift will be breathtakingly rapid: the over 60s, who were about eight per cent of total population in 1975, will represent nearly 20 per cent by 2025.

According to the World Assembly Secretariat, population aging, although hailed as a triumph of development, could ultimately act as a brake on progress. If there are proportionately fewer persons of working age, their productivity must increase before the standard of living of the whole population can improve. The alternative is for older people to remain economically active—and that means more flexible retirement policies. Either way, as population aging shifts the centre of gravity of world popula- ion, there will be a huge impact on economic and social fabric of society.

The industrialised countries, wh were the first to fix retirement ages a arrange pension schemes, are alre feeling the pinch. In the United Sta for example, the ratio of workers to p sioners has slid from 16 to 1 in 1950 3.2 to 1 today. By 2025 it will be 2 to In developing countries, where retirem and pension schemes reach fewer peop the same yardstick cannot be applied.

Dependency Ratio

All the same, indicators such as wh demographers call the 'dependency rat will move rapidly in the same directi In East Asia in 1975 there were about people aged 60 or over for every 1 adults between 15 and 59. By 2025 the will be more than twice that number.

With the resources of industriali countries already hard-pressed, and Thi World countries unable to introdu social security schemes on a broad scal new ways of supporting the elderly mu be found. The family still offers a trad tional cushion, particularly in Asi Africa, Latin America and Easte Europe. But the World Assembly urg that the skills of the old should not left idle: "We must search for altern tives that stress the productive involv ment of the aged, not just their prote tion and care".

The Assembly Secretariat wants to s aging put firmly on the political agend of all countries to ensure that 'the gift aging' is used creatively. But the Assem bly is also issuing a warning. Wit 200,000 people reaching the age of 6 every day by 2025, population aging ca be ignored. Neither can the elderly. d it is for the benefit of today's teen- rs that plans for tomorrow's over must be made.

ig Myth of Budget ecrecy

PARLIAMENTARY committee wants to e the mystery out of Britain's budget publishing a draft for public discus- n three months ahead of budget day.

The budget is shrouded in secrecy til the Chancellor unveils his master n. He presents it as a fiscal fait ompli, receptive to neither the benefit r the opportunity of prior examina- n or constructive comment.

Rarely have truer words been spoken an these by Sir Geoffrey Howe—then opposition, now bearer of the battered d box containing that fiscal fait ompli. In his three years at the easury, Sir Geoffrey has done much de-dramatise budget day—by his mous dull delivery, combined with e more significant tactic of making e Government's general fiscal stance ell-known in advance and then, to neral amazement, sticking to it.

The budget is no longer an annual onomic policy lurch, just one of a ries of economic adjustments made ring the year. Yet the details of tax anges remain secret and secrecy ecludes effective discussion of them public or Parliament.

The House of Commons, Treasury and vil service committee wants to break e mould. Reviving ideas from te Lord Armstrong's report in 1980 r the Institute for Fiscal Studies, the embers of Parliament want to replace e annual March budget ritual with a e-month timetable :

- In November, the Chancellor would oduce a "green book," outlining the ext year's departmental spending plans nd making specific proposals for anges and innovations in tax rates and lowances. The book would contain edium-term economic forecasts, pro- ctions of Government revenue from various sources, ready reckoners for calculating the effects of possible tax changes, and a short account of how the "green budget" matches overall economic policy.
- In January, detailed public spending proposals would be produced. Estimates of the cash needed during the next financial year would follow in February or March.
- In March, the Chancellor would produce his final budget report and finance bill.

(*The Economist, London*)

Korea Slashes Interest Rates

Bank rates in South Korea have been cut drastically, leaving no lending rates above an annual 10 *per cent, while the presently differentiated corporate tax rates are to be almost halved to a unified* 20 *per cent.*

In addition, the Government will take formal procedures to turn over all the country's nationwide commercial banks to private ownership within the next year—two this year and the third next year.

The interest on regular-type bank credit and the commercial-paper discount rate, for example, had been 13.5 *per cent in the case of best corporate customers and* 14 *per cent otherwise. Now the new rate is an identical* 10 *per cent without discrimination.*

The sole exception was the overdue rate for commercial bills, which went down from 22 *per cent to* 18 *per cent.*

The Deputy Prime Minister has explained the Government's interest-rate policy as maintaining the real rate, the rate after inflation adjustment, at a positive level. This means that the nominal rate will have to be raised again, if the low-inflation trend, prevailing thus far this year, should change its course some time during the coming months.

In most of the past years, Korea's real rates of interest have remained zero or nagative, mainly under the influence of runaway inflation.

Austrian Innovations

New Insulating Technology : Under the name "Energy Saver", Angst & Pfister GmbH of Vienna is marketing a new device designed to reduce heat losses at and around fittings by 80 to 90 per cent which will help keep heat transmission costs low. Where fittings—ball and sliding valves, etc.—are not insulated against heat losses, an energy-saving insulation—a high-temperature resistant shaped part—can be fashioned to the size and profile of the fitting and affixed without the need for special tools. The efficiency of the insulations thus fabricated is said to be such that on one single valve in a steam pipe of 100 mm ID in operation for 8,000 hours per year at a steam temperature of 170°C and an ambient temperature of 20°C up to 500 kg of oil per year can be saved.

Energy-saving Sprinkler : Bauer of Voitsberg is now marketing a series of energy-saving sprinklers with low-pressure (6-bar) piston drive. With the same pipe length and diameter turbine-driven sprinklers require almost 50 per cent more energy for throwing the same volume of water.

Water Jetting Unit : With the water torch recently developed to the production stage by Vereinigte Edelstahlwerke (VEW), almost any material—exceptions are metal and glass—can be cut quickly and efficiently. Raised to a pressure of 4,000 bar by means of a variable pressure pump system water is directed at the workpiece through a fine nozzle at a speed twice that of sound. This trend-setting technology is claimed to offer two big advantages: all the particles are carried away with the water and there is thus no dust formation; the material is not distorted during cutting.

Point of View

Capital Output Ratio in the Sixth Pla

N. L. Bapat

The total public and private sector investment in the Sixth Plan at 1970-71 prices, would, according to the author, be Rs 60,885 crores which would result in an increase of Rs 13,455 crores in national income. The Planning Commission has thus assumed an incremental capital-output ratio of 4.52:1. The author doubts if it is reasonable. He is not sure the prices would remain stationary as assumed by the Planning Commission. He believes that larger investment at current prices would be required to maintain the real worth of the proposed investment which would feed forces of inflation resulting in a vicious circle of rising costs and higher investment needs.

AN ATTEMPT is made here to calculate the capital-output ratios in our first five Five-Year Plans as well as the three Annual Plans in order to find out if the capital-output ratio assumed by the planners in the Sixth Five-Year Plan is judicious.

As output and investments over a long period of almost 30 years are to be considered and as the results so obtained are to be compared with each other, all the data have been converted into 1970-71 constant prices by using the indices of wholesale prices. The figures so obtained have been shown in Table I. Incidentally, it may be pointed out that the index numbers used here are 12-month averages as supplied in the Reserve Bank publications.

As regards the private sector, only the *total* of investments in each Plan is available, the year-wise break-up of investments is not available. Hence, averages of index numbers of wholesale price have been calculated for each Plan. Those averages have then been compared with the index number of wholesale prices for 1970-71. The total investment in the private seetor has then been derived on the basis of 1970-71 constant prices.

First Plan Investment

In the First Five-Year Plan (1951-56), the total investment in the public sector at current prices amounted to Rs 1,960 crores. When it was reassessed at 1970-71 prices, the total public sector investment was found to be Rs 4,359 crores. In the private sector, the total investment amounted to Rs 1,400 crores at current prices. The average of index number of wholesale prices during the First Five-Year Plan was 43.87 (base year 1970-71=100). By using this average, that investment was converted into 1970-71 constant prices. It then amounted to Rs 3,191 crores. Thus the total investment in the First Plan was Rs 7,550 crores. During this period of five years, the national income rose by Rs 3,177 crores, from Rs 17,193 crores in 1950-51 to Rs 20.370 crores in 1955-56 at 1970-71 constant prices. This gives us a capital-output ratio of 2.38 : 1. It was obviously too low.

Assumed Ratio

All along, it was being assumed that the capital-output ratio in our economy is 3 : 1. Even Prof Mahalanobis had assumed that ratio while finalising the draft of the Second Five-Year Plan. Two reasons for actual low capital-output ratio may be cited :

(1) As is known, the First Five-Year Plan was essentially a rehabilitation Plan aiming at bringing into gear the Indian economy ravaged by war and partition. More attention was given on completing the projects already undertaken. To solve the food crisis and ease the raw material shortage was one of the main objectives. Hence, small investments here and there brought us good returns, much more than general expectation.

(2) The last years of the Plan were exceptionally good for agriculture due to excellent rains. Hence, the food
production increased by as much a
per cent by the end of the Plan c
pared to the one at its beginning.

As income from agriculture
constituted more than 50 per cen
our national income, such an incr
in agricultural production gave u
substantial increase in the total natio
income. A large part of the increas
food production and hence in natio
income was not due to our investm
efforts but due to the bounty of
nature as it soon became clear. T
artificially depressed the capital-out
ratio in the First Plan. Incidenta
it may be pointed out that the Plann
Commission had assumed an incremen
capital-output ratio of 1.8:1 in the F
Plan (vide Second Plan summery, 19
p. 4).

Public Sector

When calculated as above, the inv
ment in the public sector during
Second Five-Year Plan (1956-61) co
to Rs 9,043 crores at 1970-71 const
prices as against Rs 4,672 crores
current prices as mentioned in the c
cial documents. The investment in
private sector (Rs 3,100 crores) a
making necessary adjustments on acco
of changes in prices would be Rs 6,
crores at 1970-71 prices. The aver
of index numbers of wholesale pri
from 1956-57 to 1960-61 comes to 51.
Thus, the investment in the pu
sector and private sector totals up
Rs 15,100 crores for the Second Plan.

This investment yielded an income
Rs 4,311 crores, the national inco
being Rs 20,370 crores in 1955
and Rs 24,681 crores in 1960-61. T
gives us an incremental capital-out
ratio of 3.5:1 as against 2.3:1 assum
by the Planning Commission. As sta
above, in his four-sector model prepa
by Prof Mahalanobis and which
the basis of the Second Plan, he h
suggested a capital-output ratio of 3 :

it encouraged by the too low capital- tput ratio, the Planning Commission sumed a much lower ratio at 2.3 : 1. is expectedly proved to be wide off e mark. Two reasons may be given r this:

1) The Second Plan aimed at rapid dustrialisation with particular emphasis the development of basic and heavy dustries. As stated by the Planning mmission itself. "Investment in basic dustries does not enlarge the supply consumer goods in the short-run" econd Five-Year Plan : p. 51). There s great emphasis on capital-intensive ojects with long-gestation period. us, though three public sector steel ants were erected during the Second an, their production had not begun to ow out by the end of the Plan. This as the case with many other industries o. The economy, therefore failed to ceive income from a large part of the vestment made, giving us too small an come for too large an investment which flected in high capital-output ratio.

(2) Agriculture let us down during the econd Plan. Unfavourable monsoons in 957-58 and 1959-60 kept agricultural roduction down. This again meant a uch smaller than expected income om agriculture.

TABLE I

National Income, Plan Outlay and Prices (1950-51 to 1980-81)

Year	National Income at 1970-71 Prices (Rs crores)	Annual Plan Outlay at respective year's prices (Rs crores)	Index No. of Wholesale Prices (1970-71=100)	Plan Outlay at 1970-71 Prices (Calculated) (Rs Crores)
1950-51	17,193	—	42.14	—
1951-52	17,716	259	44.14	587
1952-53	18,398	267	44.93	594
1953-54	19,532	343	45.47	618
1954-55	20,003	476	40.26	1,182
1955-56	20,370	614	44.57	1,378
1956-57	21,382	535	47.22	1,133
1957-58	21,121	890	47.67	1,867
1958-59	22,604	1,017	50.37	2,019
1959-60	23,006	1,012	53.33	1,898
1960-61	24,681	1,218	57.29	2,126
1961-62	25,292	1,128	55.22	2,043
1962-63	25,729	1,386	57.32	2,418
1963-64	26,986	1,709	60.85	2,809
1964-65	29,028	2,031	67.53	3,008
1965-66	27,806	2,323	72.67	3,195
1966-67	28,075	2,008	82.77	2,426
1967-68	29,106	2,208	92.38	2,390
1968-69	29,988	2,409	91.33	2,678
1969-70	31,684	2,210	94.75	2,332
1970-71	34,235	2,524	100.00	2,524
1971-72	34,597	3,130	105.6	2,964
1972-73	34,634	3,727	116.2	3,208
1973-74	35,401	4,188	139.7	2,998
1974-75	36,411	4,928	174.9	2,818
1975-76	40,011	6,417	173.0	3,709
1976-77	40,534	8,082	176.6	4,576
1977-78	43,857	9,226	185.8	4,965
1978-79	46,636	11,444	185.8	6,160
1979-80	44,328	12,601	230.4	5,469
1980-81	46,987	30,000	265.9	11,282
1981-82	49,640	32,421	287.2	11,289
1982-83	—	36,079	275.5	13,096

Wholesale Prices

The investment in the public sector t current prices was Rs 8,577 crores uring the third Plan. It boils down to s 13,473 crores when converted into 970-71 prices. The investment in the rivate sector at current prices was s 4,100 crores. It stands raised to s 6,537 crores when converted into 970-71 prices. Thus, the total investent in the Third Five-Year Plan (1961-5) amounted to Rs 20,010 crores at 970-71 prices. By the way, the average f index numbers of wholesale prices uring the Third Plan comes to 62.72 ith 1970-71=100.

The national income at 1970-71 prices as Rs 24,681 crores in 1960-61 as gainst Rs 27,806 crores in 1965-66. his gives us an increase of Rs 3,125 ores in national income with a total vestment of Rs 20,010 crores, and also an incremental capital-output ratio of 6.4 : 1. It appears to be too high.

The last year of the Third Plan, 1965-66 was a kinky year. It was a year in which the country faced the worst drought for a long time. Food production which had reached a peak level of 89 million tonnes in 1964-65 fell to 72 million tonnes, a decrease of almost 20 per cent. This unduly depressed the increase in national income during the Third Plan as a whole, as we are calculating the increase by deducting the national income in the first year of the Plan from the national income in the final year. This in turn gave us an unnecessarily high incremental capital-output ratio, for the Third Plan. Owing to this exceptional circumstance, it is unrealistic to take the *actual* national income in 1965-66 for calculating the incremental capital-output ratio for the Third Plan. Two alternatives may be suggested.

We may assume that the national income rose during the last year of the Third Plan also at the same average rate of increase as during the first four years. The national income increased at the rate of 4.5 per cent per annum on an average during the first four years of the Third Plan from Rs 24,681 crores in 1960-61 to Rs 29,028 crores in 1964-65 at 1970-71 constant prices. If that growth rate is assumed for 1965-66 also, the national income at the end of the Plan would have been higher by Rs 1,090 crores at Rs 30,118 crores. This would then give us an increase of Rs 5,437 crores in the national income during the Third Plan period for an investment of Rs 20,010 crores. Then the incremental capital-output ratio would be 3.68 : 1 which appears to be reasonable.

Normal Year

Alternatively. the penultimate year of the Third Plan, 1964-65 which was a normal year, may be treated as the last year of the Third Plan for the purpose of calculating the incremental capital-output ratio. In that case, the increase in the national income would be Rs 4,347 crores. We also neglect the investment made during the last year of the Third Plan, then the total investment during the Third Plan boils down to Rs 15,181 crores. This would give us an incremental capital-output ratio of 3.49 : 1. Both these ratios appears to be quite lower than the one in the Second Plan. By the way, it may be stated that the Planning Commission had assumed that ratio to be 2.6 : 1 for the Third Plan.

Owing to the abnormal conditions towards the end of the Third Plan, the Fourth Plan was postponed by three years. Between 1966 and 1969, the Government implemented three Annual Plans. During those three years, an investment of Rs 6,625 crores was made in the public sector. At 1970-71 constant prices, it comes to Rs 7,494 crores. The investment in the private sector amounted to Rs 3,500 crores at current prices. The average of index numbers of wholesale prices for those three years was 88.83.

Total Investment

When the above private sector investment was converted into 1970-71 prices by using this average, it came to Rs 3,950 crores. Thus the total investment in three Annual Plans was Rs 11,444 crores. It gave us an increase of Rs 2,182 crores in national income from Rs 27,806 crores in 1965-66 to Rs 29,988 crores in 1968-69 and the incremental capital-output ratio was thus 4.84 : 1 in three Annual Plans. These three years were utilised for completing the backlog of the Third Plan. Moreover, large investments were made in providing overheads to agriculture. This was probably the cause for a steep increase in the ratio. As no compact Plan for those years was formed, the Planning Commission had not given its forecast regarding capital-output ratio here.

During the Fourth Five-Year Plan (1969-74), the total public sector investment at current prices amounted to Rs 15,779 crores. When converted into 1970-71 constant prices, it amounted to Rs 14,026 crores. The total private sector investment of Rs 10,000 crores at current prices boils down to Rs 8,987 crores when adjusted to the constant prices of 1970-71. Thus, total investment in the Fourth Plan amounted to Rs 23,013 crores. This investment gave us an increase of Rs 5,413 crores in the national income from Rs 29,988 crores in 1968-69 to Rs 35,401 crores in 1973-74. The incremental capital-output ratio in the Fourth Plan is thus 4.25 : 1 as against 3.4 : 1 assumed by the Planning Commission. It was slightly less than the one in the three Annual Plans but substantially higher than the one in the Third Plan.

The public sector investment in the Fifth Plan (1974-79) was Rs 40,097 crores at current prices and was only Rs 22,229 crores when reduced to 1970-71 constant prices. The impact of inflation on the real worth of the current investment is clearly seen here. During the Plan, an investment of Rs 15,570 crores was ma in the private sector.

The average of index numbers wholesale prices for those five years w 179.22. By using this average, the pr vate sector investment was convert into 1970-71 prices, and it came to on Rs 8,688 crores. Thus, the total inves ment in the Fifth Plan was Rs 30,9 crores. As a result of it, the nation income increased by Rs 10,225 cror from Rs 35,401 crores in 1973-74 Rs 46,636 crores in 1978-79 at the con tant prices of 1970-71. It gives us capital-output ratio of 3.02 :1 for t Fifth Plan. It appears to be too lo when compared to the previous Plan What might be the reason for such sudden fall ?

It is found that in the last year of t Fifth Plan, the agricultural productio registered a sudden increase due favourable monsoon. Hence, the n tional income revealed a much bigg increase of eight per cent, when compare to the increases in the earlier four year

Nature of Increase

The nature of that increa became immediately clear in the ve next year 1979-80, when the nation income decreased by five per cent Rs 44,328 crores at 1970-71 prices. Lik 1965-66, the year 1978-79 was also kinky year, though in a good sense. A the same, it has the same effect as th of 1965-66, namely, of giving us a di torted picture of the incremental capita output ratio. We must set right th distortion now, to get a realistic capita output ratio for Fifth Plan.

Between 1965-66 and 1976-77, t national income rose by an annual av rate of 4.16 per cent. When we assum that the rate of increase in nation income was same for 1977-78 an 1978-79, then the national income 1977-78 and 1978-79 would be respective Rs 42,220 crores and Rs 43,989 crore In that case, the increase in nation income during the five-year period the Fifth Plan would be Rs 7,569 cror for a total investment of Rs 30,9 crores. It gives us a capital-outp ratio of 4.08 : 1. It appears to be qui reasonable when compared to the capit utput ratio of the Fourth Plan (4.25:1). Though there is no specific mention of he capital-output ratio assumed by the Planning Commission for the Fifth Plan, t seems that it was placed at 3.7 : 1, if we compare the proposed investment and expected increase in national income during that Plan.

Thus it is found that in each and very Plan, the incremental capital-output ratio assumed by the Planning Commission was less than the one calculated by us. Table II gives a comparative picture of the incremental capital-outpu ratios assumed by the Planning Commission and the actual ones as calculated by us.

TABLE II

Capital-Output Ratios : Actual and Assumed

Plan	As Calculated here			As Assumed by Planning Commission
First Plan (1951-56)	2.38:1			1.80:1
Second Plan (1956-61)	3.50:1			2.30:1
Third Plan (1961-66)	6.40:1	3:68:1*	3.49:1**	2.60:1
Annual Plans (1966-69)	4.84:1			Not supplied
Fourth Plan (1969-74)	4.25:1			3.40:1
Fifth Plan (1974-79)	3.02:1	4.08:1*		3.70:1

*Assuming average growth in national income. **Assuming fourth year being last year of the Plan.

Now let us turn to the Sixth Plan. According to the planners, the national income is expected to rise at an annual rate of 5.2 per cent between 1980-81 and 1984-85. This amounts to a total growth of 28.85 per cent in national income over that in 1978-79, that is, Rs 13,455 crores in absolute terms. An outlay of Rs 97,500 crores at current prices is to be made in the public sector. Out of it, the investment component would be only Rs 84,000 crores. The investment in the private sector is expected to be around Rs 74,710 crores at current prices, giving us a total investment of Rs 1,58,710 crores.

Sixth Plan Proposal

During the first year of the Sixth Plan, it was proposed to invest Rs 15,109 crores in the public sector. Actual investment was Rs 15,058 crores in 1980-81. In that year, the index number of wholesale prices was 265.9. So the value of that investment at 1970-71 prices was only Rs 5,663 crores. In 1981-82, the investment in the public sector was Rs 17,479 crores (revised budget estimates). Its value at 1970-71 prices would be only Rs 6,086 crores as the last year's index number of wholesale prices was 287.2. The The data regarding the annual investment in the private sector during 1980-81 and 1981-82 are not available at present. Generally, those data are not available. During the last 30 years, the Government has not been able to collect and publish the figures of private sector investment on year-to-year basis. Only totals of private sector investment during the five-year period of every Plan are supplied for public consumption.

We assume that the total private sector investment of Rs 74,710 crores would be equally distributed over the five-year period of the Sixth Plan, that is, Rs 14,942 crores would be invested every year on an average. The real worth of the private sector investment of Rs 14,942 crores in 1980-81 would be Rs 5,619 crores at 1970-71 prices and that of 1981-82 Rs 5,203 crores. Thus, during the first two years of the Sixth Plan Rs 62,421 crores at current prices were invested and their value at 1970-71 prices was Rs 22,571 crores only.

The proposed investment in the public sector is Rs 21,137 crores in 1982-83 according to the recent central budget. Coupled with expected investment in the private sector (Rs 14,942 crores), the total investment at current prices would be Rs 36,079 crores in 1982-83 at current prices. It would be equal to Rs 13,096 crores at 1970-71 constant prices on the basis of May 1982 index number of wholesale prices which was 275.5

According to the present calculations, an amount of Rs 61,210 crores at current prices would be invested during 1983-85. Even if we assume that the prices would remain constant at the same level as in May, 1982, the value of the remaining investment would be Rs 22,218 crores at 1970-71 prices. Thus, the total public and private sectors' investment in the Sixth Plan would be Rs 60,885 crores at 1970-71 prices for an expected increase of Rs 13,455 crores in national income. Thus, it seems that the Planning Commission has assumed an incremental capital-output ratio of 4.52:1. Does it look reasonable?

Since 1966, the incremental capital-output ratio has invariably been above 4:1. It *prima facie* means that the capital-output ratio assumed by the Planning Commission for the Sixth Plan is reasonable. However, one or two points may be stressed here. First, we have assumed that the prices would remain stationary during the next three years. This may not actually happen, particulary as the international factors such as oil prices have an undue influence on the prices in India. To the extent to which the prices would rise during the current and next two years, the real worth of the proposed investment would stand reduced requiring still larger investment at current prices. Such an effort may actually feed the forces of inflation and involve us in a vicious circle of rising prices requiring larger investment which in turn leading to higher prices and so on.

Second, during the Fifth Plan, the investment in the private sector was just Rs 15,570 crores. It is assumed that during the Sixth Plan, it would rise to as much as Rs 74,710 crores. This is too high a target and doubts about its fulfilment may reasonably be raised in view of the performance of the private sector in the past. The capital market is at present very tight and some well known new issues have failed recently. Rallis India, a company in the Tata group, offered non-convertible debentures of Rs 2.50 crores to the public. But the total subscriptions were said to be less than Rs 2 crores. Modi Rubber Ltd, a well known automobile tyre company offered 600,000 debentures but reportedly received offers for only 161,000.

As against this, the investment in th public sector is likely to exceed the target. Thus, Rs 31,326 crores are to b invested in the public sector durin 1983-85. In view of the current year's investment of Rs 21,137 crores, this target is likely to be exceeded by a substantial margin.

Should Managerial Remuneration be Regulated?

M. D. Mukhi

Sophisticated technology becomes fruitful only when capable men are placed in charge to put it to the best use. As a manager's performance has a direct bearing on the growth and fortunes of an industry, his efficiency should not be undermined by a feeling that he is getting a raw deal. As managerial salaries form a very small percentage of total cost of production, no public purpose is served through control of their remuneration. On the contrary inefficiency of underpaid personnel leads to high cost of production and shortages, thus acting against the interests of the common man.

THE REGULATION of managerial appointment and remuneration is a special feature of the Company Law in our country. The Government has not only laid down parameters for determining salaries of the top executives of public sector and nationalised undertakings but also issued administrative guidelines fixing norms for the payment of salaries, commission and perquisites to managerial staff of companies registered under the Companies Act, 1956.

In this context there would appear to be a kind of ambivalence in the Government attitude towards the managerial profession. While it clamours incessantly for professionalisation of management, its actions tend to undermine managerial standards and discourage executive talent. An undesirable development of fixing any artificial or irrational parameters is that having reached a given level—most of the managers reach the maximum in their forties—there is no incentive for these Chief Executives for further efforts.

It was in this context that a couple of years back Mr Keshub Mahendra had tendered his resignation as the Executive Director of Mahindra and Mahindra Ltd when the Central Government had reduced his salary by 50 per cent from Rs 10,000 a month to Rs 5,000 a month on his re-appointment, in terms of the administrative guidelines on managerial pay and perks.

Aggrieved by the decision, the company filed a writ petition before the Delhi High Court which struck down the revised guidelines of 1978 as ultra vires of the Companies Act, 1956, and directed the Department of Company Affairs to reconsider its decision in the light of the judgement.

Four months earlier, the Gujarat High Court had handed down its historic judgement on April 9, 1980, declaring the administrative guidelines of 1969 as 'void, bad and illegal' in another similar writ petition filed by Cibatul Ltd.

What is the rationale in imposing such limitations on managerial compensation ? Livingstone, in his well-known book "The American Stockholder" has enumerated the following two reasons :

(a) The public interest in preventing the diversion of corporate funds for personal use; and

(b) The impact which the unduly high executive reward has upon the rest of the society.

In India, the major objective in regulation of managerial remuneration was stated to be 'to achieve socio-economic objectives of State policy as also to encourage free movement of management talent from the private sector to the public sector'.

It would be interesting to examine the extent to which these objectives have been realised and the public interest served as a result of regulating managerial remuneration.

In the first instance, it would appear to be patently unfair to single out a miniscule of the population for certain ad hoc income curbs (hardly 7000 to 8000 persons in the whole country are estimated to come under the purview of the administrative guidelines), while thousands of others like doctors, movie stars, lawyers, tax consultants, architects, contractors and other self-employed persons are left out. Economic disparities could be narrowed and any revision of managerial compensation would be justified only as a part of an integrated incomes policy for the entire country.

Also, there does not appear to be any merit in the argument that the managerial remuneration is regulated to ensure free movement of management talent from private sector to the public sector. The salaries and perquisites of the top executives in public sector itself would appear to be low by comparable standards in other developing countries.

As a matter of fact, one could relate, to a large extent, failure of the public sector undertakings to the fact that the remuneration to the top men in that sector has been hopelessly inadequate and not at all commensurate with the responsibility shouldered by them.

Sophisticated equipment and technology has fruitful meaning only when capable men are placed in charge to put them to best use, obtaining maximum results from these resources to serve the community at large. As the manager's performance has a direct bearing on the rowth and fortunes of an industry, his fficiency should not be undermined by reating a feeling in him that he is get- ng a raw deal.

It is argued that the 'public in- rest' is sought to be guarded through ontrol on remuneration and that exploi- ition of the consumers should be avoid- d. Anyone who takes a cursory glance the published accounts will note that laries to the managerial personnel form very small percentage of the total cost production. In our country a higher rice is paid by consumers more often ecause of shortages.

The Government cannot justifiably re- ain unmindful of the galloping inflation nd the rising cost of living. It is not if the managerial classes are not sub- ct to this continuing fall in the pur- asing power of the rupee and steeply raded taxes. Their take home pay is nything but enviable.

Reducing Disparities

One must recognise the fact that we e in a country which has dedicated self to the ideology of bringing about rity in income. It is desirable there- re that the highest remuneration in a mpany should be related to the lowest that all those who have directly put the effort resulting in the prosperity the company logically share that osperity.

It is possible to create proper diffe- ntials but such relationship has to be tablished with reference to 'take home' muneration i.e. remuneration after duction of taxes but not provident nd.

According to authoritative indications, esh guidelines for managerial remune- tion and perquisites which are on the vil now will take inflation into consi- ration to ensure that the incomes of ecutives in the corporate sector do not ode. The proposal appears to be to ve at least a 50 per cent increase in the isting ceiling of Rs 5000 a month.

The Government has already announc- l in the second week of March this year big increase in the dearness allowance senior Government officers while re- asing four instalments of DA to the Central Government employees. With this revision in DA, for the first time since 1963, the salary of a Secretary to the Government has touched Rs 5000 a month.

What is more, the public sector chiefs in the country may soon get a raise in their pay and perks. It is understood that the Public Enterprises Selection Board (PESB) has been currently discussing the modalities of improving the overall service conditions for the Chairmen and Managing Directors of all public sector units, and the board is expected shortly to submit its proposals to the Government.

The objective of increasing the public sector chiefs' salary is to make these jobs more attractive, specially for fresh talent in the private sector, as the board has now been finding it difficult to select suitable candidates willing to undertake the responsibilities of heading a public sector unit.

The basic pay for public sector chiefs has been stagnating between Rs 3,500 and Rs 4,000 per month, and it is argued that the responsibilities of running a public sector unit are huge. A remuneration not commensurate with one's entrustments is not an incentive to work; it rather disturbs one's normal performance.

Checking Brain-drain

Indian managers, both in the private and public sectors, are stated to be the lowest paid managers in the world, and quite a few professional managers have already left for better openings abroad particularly to the Middle East and European countries. Imposition of unjustified ceilings have thus been leading to the 'brain drain' and depletion of scarce resources of managerial skill.

But even after the proposed increases, the remuneration received by the top executives in the public and private sectors would be just peanuts compared to what is paid to the top-notch professional managers in Western countries.

About two years back, there was a feeling of envious excitement in the Indian management circles on the appointment, by the British Government, of Ian MacGregor, the 68-year old American businessman, as the Chairman, of the ailing British Steel Corporation at an all-time record salary of Rs 90,000 a month. The envy and excitement in Indian counterparts of Ian MacGregor were justifiably natural when they know that they have to make do with less than Rs 60,000 a year—not per month—and many of them have to be at their job round the clock.

Now comes the news that Richard Giordano, the Chief Executive of British Oxygen Group (BOG) earned Rs 83,49,000 last year which makes the 47-year old former New York lawyer the highest paid super-star of the British industry. He earns in a week what the Chief Executive of Indian Oxygen, BOG's associate company in India, makes in a whole year.

Sachar Committee Report

The Sachar Committee in its recommendations on professionalisation of management suggested Rs 10,000 per month by way of remuneration and 50 per cent of this amount by way of perquisites, and placed increasing reliance on an in-built self-regulatory mechanism of the companies themselves by way of special resolutions in general meetings, viewing Government intervention only as an exception.

In this context, it is heartening to note the assurance held out by Mr Pranab Mukherjee, when he was the Commerce Minister, that the Government would give 'wider recognition' to professional managers. Addressing the Indian Institute of Personnel Management, Mr Mukherjee had rightly stressed the need for greater degree of professionalism among the managers and executives in the country.

Top executive talent is a very scarce commodity and has to be remunerated in a market-place. Only in this way is it possible to attract the right man for the job.

Let us hope that the Government keeps this in mind before announcing the new guidelines. For, if the industry is to be made viable and job prospects maintained, the top executives of gigantic public and private sector organisations have to be adequately remunerated.

Resistors for Electronics Industry

CARBON FILM resistors, metal film resistors and wire wound resistors are used in various electronic products.

Carbon Film Resistors

An additional capacity of 305 million carbon film resistors is covered by letters of intent. It is seen that the ratio of production to installed/licensed capacity is rather low. Production in the organised sector during the last few years has been around 170 million.

Composite proposals with clear indications for immediate implementation will be supported, ensuring quality and commercial viability so as to set up a viable base for future growth and exports. Fairly large units with substantial investments will be encouraged. Foreign collaboration will be considered on merits for large-scale production with export potential.

The following are the manufacturers in this field:

M/s Asian Electronics Ltd, Handloom House, 3rd Floor, Dr D.N. Road, P.B. No. 1883, Bombay—Insulated carbon film resistors tolerance 1 per cent to 10 per cent (a) 10 to 2.2, 0.25 watts to 2 watts. (b) 3 KV resistors, 47 K to 22 M.

M/s Eastern Electronics Ltd, 1, 2 Industrial Area, N.I.T. Faridabad, Haryana—High stability deposited carbon resistors upto 10M to 10 per cent upto 1500V. upto 5 watts.

M/s Electronics Corpn. of India Ltd, Ind. Dev. Area, Cherapalli, Hyderabad, Andhra Pradesh—Carbon film resistors 25 w. 50 w.

M/s Phillips India Ltd, Shiv Sagar Estate, Block 'A' P.B. No. 6598, Bombay—Carbon film resistors upto 1 M 250 V and 350 volts tolerance ± 2 per cent and ± 5 per cent.

M/s Rescon Mfg. Co Pvt Ltd, Moray House, 2nd Floor, 226, S.V. Road, Near Bandhra Talkies, Bandra, Bombay—Cracked carbon resistors, type A, ½, 1 and 2 watt in 5 per cent and 10 per cent tolerance Type B (High ohmic) ¼, ½, 1 watt, Type M insulated, ½, 1 and 2 watt. Type D (precision) ¼, ½ 1, and 2 watt in 1 per cent and 2 per cent tolerance.

M/s United Electrical Kerala Industries Ltd, Pallimukku, P.B. No. 87 Quilon, Kerala—Carbon film resistors.

Metal Film/Metal Oxide Film Resistors

The present licensed capacity in the organised sector is 34 million and 40 million is the approved capacity in the small scale sector. In addition, letters of intent have been issued for a total capacity of 25 million. Production during the last few years has been around 1.5 lakh in small-scale sector. In the organised sector the output has been around 2.66 million. Production level is now compared to approved capacity.

There is still some scope for further licensing. Production of hot moulded, low noise with stability insulated and non-insulated types would be encouraged and foreign collaboration will be permitted on merits. Product diversification by the manufacturers of carbon film resistors to metal film resistors with balancing additional investment will be liberally considered.

Proposals for production of low cost metal film resistors which have the potential to replace carbon film resistors would also be encouraged.

The following are the existing manufacturers:

M/s Asian Electronics Ltd, Handloom House, 221, Dr D.N. Road, 3rd Floor, P.O. Box No. 1863, Bombay—Metal film resistors O E to M 0.5 watts, tolerance 1, 2 and 5 per cent.

M/s Electronics Corporation of India Ltd, Industrial Development Area, Cherapalli, Hyderabad—Moulded metal film rcsistors upto 1 M tolerance upto per cent.

Wire Wound Resistors

The present licensed capacity in t organised sector is 2.3 million and a cap city of 3.0 million is covered by lette of intent. Production in the Organis sector was 1.72 million in 1980-81.

There are certain technological ga in regard to parts of wire wound resi tors such as ceramic compounds ar hermetic sealing tubings. There is nee to produce JSS approved quality wi wound resistors and the existing man facturers can fill up this gap by upgrad tion of technology through technolog imports.

The following are the manufacture of wire wound resistors:

M/s Asian Electronics Ltd, Handloo House, 221, Dr D.N. Road, 3rd Floo P.O. Box No. 1863, Bombay—Wi Wound resistors 3.3e,, 1 watts, to 4.7 3 watts tolerance 5 and 10 per cent.

M/s Electronics Corporation of Indi Ltd, Industrial Development Area, Chera palli, Hyderabad—Wire wound resisto

M/s Eastern Electronics (Delhi) Lt 1-2, Industrial Area, N.I.T. Faridaba Haryana—Wire wound resistors.

NOTICE

Due to increase in foreign postal rates the foreign subscription rates of EASTERN ECONOMIST have been revised as follows :
ANNUAL (Surface Mail) : $ 50 or £ 25

CHIEF EXECUTIVE

TATE OF THE CONOMY

,, Philippines Seek DB Expertise

STAN HAS requested the ld Bank to finance their y Development project nable the National Dairy elopment Board, spear- fled by Dr. V. Kurien its irman, replicate the and Pattern' and Operation od I & II in Pakistan.

imultaneously, the Philip- es Government is also rested in replicating the and Pattern' and Opera- Flood in the Philippines Indian Embassy at Brus- has received a request m the EEC to use their od offices in arranging lian expertise from the tional Dairy Development ard in India, on the under- nding that the EEC coun- es will finance the Philippin- project.

The requests from both kistan and the Philippines not only a tribute to the vance of dairy development India but also reflect an ternational acknowledge- ent of the success of Opera- on Flood I and II. The ansfer of the unique perience will contribute wards earning substantial reign exchange for consul- ncy Services by NDDB.

ugar Production

Sugar production reached 1.72 lakh tonnes by the mid- le of June. Stocks with sugar nills are estimated at 52.77 akh tonnes as compared to 3.21 lakh tonnes at the same ime last season.

According to the Indian Sugar Mills Association (ISMA), he total off-take till June 15 was about 34.64 lakh tonnes for domestic consumption and 210,000 tonnes for export as against 32.57 lakh tonnes and 60,000 tonnes respectively last year.

Offtake during the first fortnight of June was about 235,000 tonnes for domestic consumption and 2000 tonnes for exports as against 203,000 tonnes for domestic consumption alone in the corresponding period in the last season. Sugar output during this period was about 220,000 tonnes against only 4,000 tonnes last year.

Export Target for 1982-83

The Commerce Ministry has fixed an export target of Rs 8,650 crore for the current financial year. This envisages a growth rate of about 15 per cent over the last year's level of Rs 7,557 crore when the export earnings were higher by nearly 13.3 per cent over 1980-81.

This information was given by Commerce Minister, Mr Shivraj Patil, to the Parliamentary Consultative Committee which met here recently. He said that the rise of over 13 per cent in exports last year was encouraging, particularly in view of the fact that earnings in 1980-81 went up by only 4 per cent.

Against the planned level of exports of Rs 8,650 crore, imports are expected to exceed Rs 14,000 crore in 1982-80 compared with Rs 13.271 crore in 1981-82. Thus the deficit is likely to be considerably lower than the 1981-82 level of Rs 5,714 crore. The import bill in 1981-82 rose by only 9.6 per cent against 38.8 per cent in 1980-81 and 32.4 per cent during 1979-80.

In 1981-82, exports of agricultural and allied products recorded an increase of 32 per cent to Rs 1,665 crore from Rs 1,262 crore in 1980-81. Leather, sports goods, gems and jewellery together increased by 26 per cent to Rs 1,255 crore from Rs 998 crore.

There was an increase of about 18 per cent in the export earnings from engineering goods to Rs 1,060 crore from Rs 900 crore in 1980-81. Ores and minerals also recorded a growth of 18 per cent at Rs 439 crore compared with Rs 373 crore in 1980-81. Textiles including jute and coir showed a rise of 12 per cent at Rs 1,571 crore against Rs 1,409 crore.

The important items whose exports showed impressive increases during 1981-82 over the previous year included rice (65 per cent), tobacco (62 per cent), pocessed food (51 per cent), garments (50 per cent), castor oil (41 per cent), sugar (38 per cent), basic chemicals, pharmaceuticals and cosmetics (29 per cent), gems and jewellery (28 per cent), cashew (28 per cent), natural silk textile (31 per cent), leather and leather manufactures (26 per cent), chemicals and allied products (21 per cent), marine products (21 per cent), plastic and linoleum items (19 per cent) and wool and woollen products (29 per cent).

Decline in Tea

The plantation group, on the other hand, suffered a setback, with exports coming down by about 13 per cent to Rs 595 crore in 1981-82 from Rs 685 crore during 1980-81. Earnings from tea fell by 8 per cent, coffee 25 per cent, cardamom 10 per cent and other spices by 13 per cent.

In the textiles group, cotton textiles excluding garments recorded a fall of 4 per cent, jute manufactures (27 per cent) and man-made textiles (12 per cent). The decline in export earnings from these items had been mainly due to fall in their prices in the international market.

Export of garments spurted to Rs 650 crore from Rs 540 crore in 1980-81. The target for the current financial year has been fixed at Rs 750 crore.

Stress on Irrigation

The Centre has asked States to expedite measures to complete all on-going irrigation projects on schedule. This was stated recently by Irrigation Minister, Mr Kedar Pandey, while addressing the Parliamentary Consultative Committee attached to his Ministry.

He told members that States have been directed to devote their resources to the 66 projects which are planned to be completed by the end of the Sixth Plan period. This would ensure that their limited resources are not frittered away.

These 66 projects would be completed on a priority basis so that benefits start flowing as early as possible. Monitoring of their construction schedule has already been stepped up.

The Minister said, the Government was determined to achieve the target of 14 million hectares of additional irrigation potential envisaged during the Sixth Plan. During the first two years of the Plan period, five million hectares had already been created and the pace stepped up to achieve the balance of nine million hectares in the remaining three years.

Referring to the National Perspective of Water Resources Development formulated by the Irrigation Ministry, Mr Pandey said that by implementing this scheme a total irrigation potential of 150 million hectares would be created.

Replying to a member's query about inadequate utilisation of irrigation potential, Mr Pandey said that out of 62 million hectares of irrigation potential created, actual utilisation was 56 million hectares. Efforts were being made to increase the utilisation.

One member raised the issue on the scope of the Rajasthan canal project and pleaded for taking up the lift scheme to provied drinking water and irrigation facilities to areas near the canal. The Minister of State for irrigation, Mr Z.R.

Ansari said that this matter was being pursued with the Rajasthan Government although irrigation was a State subject.

Silk for West Germany

Export orders for silk fabrics worth about DM 1.25 million (Rs 5 million) have been bagged by India at the first-ever buyer-seller meet on Indian silk held recently in the Federal Republic of Germany.

Nine leading Indian silk exporters who participated in the two buyer-seller meets in Stuttgart and Hamburg also received export inquiries to the tune of Rs 30 million, according to a spokesman for the Indian Trade Centre in Brussels which organised the meets in association with the Silk and Rayon Textiles Export Promotion Council, Bombay. The spokesman expressed the hope that a substantial part of the inquiries would result in export orders during the follow-up period.

The two buyer-seller meets held recently were designed to further promote the sale of Indian silk in the Federal Republic of Germany which is already an important market, accounting for more than 50 per cent of the total Indian silk exports to Europe.

The meets were organised with the assistance of the European Economic Community (EEC) which provided funds for the air tickets of the Indian participants, their hotel accommodation and for renting the halls where the meets were held.

Diamond Exports

Diamond export from India may cross Rs 800 crore during 1982-83, this will be about Rs 150 crore more than the previous year's export of Rs 655 crore.

Export of diamonds in the first three months of the current year (April-June 1982) already touched Rs 162.23 crore despite the recessionary trend in the world markets. Exports in the same period of the previous year were only Rs 145.39 crore.

This improvement in diamond exports in the current year so far is despite these three months being the lean period in diamond buying. Export circles expect substantial increase in demand for diamonds in months of July, August, September and October.

The buying tempo in the US and Japanese markets is expected to pick up in the coming weeks and it is expected that the monthly export may even touch Rs 200 crore from September onwards.

Despite a slump situation in the world diamond industry, the demand for small diamonds continues to be still very good. The US which normally buys a high percentage of big diamonds has now started buying more of small diamonds.

Japan, India's second largest buyer of diamonds has stepped up its diamond purchases from India, Japanese imports of diamonds cut in India are expected to exceed a figure of Rs 100 crore in the current year.

Foreign Exchange Reserves

The foreign exchange reserves have shown a slight upward movement. According to latest figures, the reserves which had dipped to Rs 3354.47 crore in 1981-82 had marginally improved and touched a figure of Rs 3384.26 crore by June 25, 1982.

Last year the reserves had fallen from Rs 4822.12 crore in 1980-81 to Rs 3354.47 crore. The depletion was of the order of Rs 1467.65 crore, highest in the last three years.

Finance Minister, Mr Pranab Kumar Mukherjee informed the House that the decline had been the result of increased steep prices of imported oil. The prices of other imported commodities had also shot up.

IISCO Expansion

The Indian Iron and Steel Company in Burnpur proposes to double the plant's capacity of one million tonnes at a cost of about Rs 1,000 crore, according to SAIL sources. The company would sign an agreement with two Soviet compa-

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for preparing the feasibi- report for modernisation growth. The project ld be completed by 1990.

eanwhile, SAIL has accep- the project report for Vijay gar integrated steel plant a capacity to produce 3.1 ion tonnes of liquid steel. ill submit the report to Centre for approval.

it Trust

Mr G.S. Patel, Chairman, it Trust of India, stated ently that the year 1981-82 the best year in the his- y of the Trust, setting records in terms of es of units, income, divi- d, etc. Subject to audit, working results of the st under all schemes for year ended June 30, 1982 re encouraging. Sales dur- the year 1981-82 increased Rs 147 crores against Rs 1 crores in 1980-81, show- a remarkable rise of 182.1 cent. Income of the ust from all sources in- ased to Rs 78.75 crores ring the year 1981-82 as ainst Rs 60.12 crores in 80-81. The rise in the unit pital increased to Rs 545 ores during 1981-82 against 425.3 crores in 1980-81.

On the basis of the above ovisional working results, e Board of Trustees has nounced that the rates of vidend under different hemes be stepped up as nder for the year ending ne 30, 1982: (a) Unit cheme 1964 12.5 per cent, 2) Unit Linked Insurance lan, 1971 0.5 per cent and 3) Unit Scheme for Chari- able and Religious Trusts and egistered Societies (CRTS), 981 12.5 per cent.

Even after the step-up in he dividend as aforesaid, he Board of Trustees has decided to transfer sizeable amounts to reserves and pro- visions under all the Schemes.

The Trust has started to despatching the dividend warrants from July 9, 1982. Hence, the unitholders should receive the same latest by the end of July or by the first week of August. In case of non-receipt of the same by the first week of August, the unitholders are advised to write to the concerned Regional Offices of the Trust quoting the code number of the unit certificate/s.

Aggregate sales of units under all the Schemes crossed the Rs 100-crore mark for the second time in the history of the Trust and, at Rs 147 crores, were the highest since the inception of the Trust. Sales during the year were about 182 per cent higher than those for the previous year and about 45 per cent higher than those at Rs 101.53 crores in 1978-79, the previous record year.

At the end of the year, the number of unit holding accounts was around Rs 12 lakhs.

The step-up in the rate of dividend for the third successive year, more tax concessions given in the Budget for investment in units, constant efforts of the Trust to gear up its machinery to render better service to the unitholders and to popularise units throughout the country and above all, the overwhelming response the Trust received for its new Schemes introduced during this year should provide a favourable setting for its performance in the new year 1982-83.

Road Maintenance

A sum of Rs 1750 crore could be saved annually by effecting a five per cent reduction in vehicle operating cost through well maintained roads in the country. This is claimed in a paper presented at the seminar on "maintenance and drainage aspects of road pavements" being held at Bangalore under the auspices of the Indian Road Congress.

The paper, presented by Dr M.P. Dhar and Mr M.C. Venkatesha of the Central Road Research Institute, said by the turn of the century, road transport activity in the country might witness tremendous progress and in this context better maintenance of roads assumed greater importance.

On fuel saving, the paper said, currently road transport might be consuming about six million tonnes of high speed diesel and 1.5 million tonnes of petrol. Since consumption of high speed diesel was expected to be doubled by the turn of the century, even a ten per cent reduction in fuel consumption would mean a lot to the nation in terms of foreign exchange.

Bakery Development Board

A ten-year perspective plan for bakery industry in India (1981 to 1990) has recommended the setting up of a bakery industry development board to coordinate the development of the industry. It has also suggested setting up of a Directorate of Bakery industry under the Union Ministry of Agriculture and Civil Supplies to streamline the supply of raw materials.

The plan prepared on behalf of the society of Indian Bakers by the New Delhi-based institute of economic research and marketing research, envisages production of bakery products to cross three million tonnes by 1991 against one million tonnes in 1979.

Sale & Purchase of Debentures

Mr N.N. Pai, Chairman and Managing Director of the Industrial Development Bank of India (IDBI), disclosed recently that financial institutions would start quoting purchase and sale prices of debentures to impart liquidity and help the development of the secondary market for debentures.

Mr Pai called for a modification in which tax and capital gains tax laws for encouraging larger scale of flow of investment from non-resident Indians and persons of Indian origin. The ceiling for portfolio investments by non-residents should also be revised upwards considerbly.

Inaugurating a seminar on "Capital Market and Stock Exchanges" organised by the WIRC of the Institute of Chartered Accountants of India

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recently, Mr Pai also called for a flexible indirect taxation policy to ensure adequate remunerative prices to industries. Changes in the pricing policies of controlled commodities are also necessary for sustained growth of the industries concerned.

The Reserve Bank was favourably considering permitting commercial banks to extend credit to underwriters of debentures up to Rs 5 lakh each, for sustaining continuous active interest of the underwriters in the primary issue market.

He also suggested the development of an alternative form on the pattern of over-the-counter (OTC market) as operating in the US to supplement the stock exchange activities in the country. It was necessary to have stock markets in all cities with population of more than 500,000 lakh. Stock exchanges assure liquidity for industrial securities, popularise investment habits and play a great role in the economic development of the country.

Handloom Finance Corporation

The Union Government has approved the setting up of the National Handloom Finance and Development Corporation, with an authorised capital of Rs 10 crore. It will have its headquarters at Lucknow.

The main activities of the corporation will include procurement and distribution of hank yarn and other raw materials like dyes and chemicals to the handloom sector, trigger the production and marketing drive by opening as many retail outlets as may be considered necessary, and financing of spinning and reeling activities in the non-cooperative sector.

Paper Conservation Order Rescinded

On August 1, 1974 the Paper (Conservation and Regulation of Use) Order, 1974 was issued under Section 3 of the Essential Commodities Act, 1955 with a view to effect economy in the use of paper curbing its non-essential use. Under the provision of the Order, certain limits were imposed on the surface area of paper used for advertisements and propaganda material—diaries, calendars and invitation/greeting cards. Since the production of paper and paper boards in the country has considerably increased and availability would continue to be assured, it has been decided to rescind the Paper (Conservation and Regulation of Use) Order, 1974.

Rajasthan Consultancy Organisation

Rajasthan Consultancy Organisation Limited (RAJCON) has made vital contribution to the industrial and economic growth of Rajasthan. With the completion of 62 assignments of varied nature during the year ended December 31, 1981 the total number of assignments completed since inception of the company in 1978 went upto 186. Most of the enquiries received last year were from new entrepreneurs particularly in small-scale sector for setting up industrial projects. Enquiries were also received from the participating institutions of RAJCON, mainly from the Rajasthan State Industrial Development and Investment Corporation Limited, Jaipur.

Rajasthan Industrial Corporation

The Rajasthan State Industrial Development and Investment Corporation Ltd (RIICO) has taken in hand eight new projects to be implemented in joint sector this year. All these projects involve a total cost of about Rs 5920 lakhs. They are for manufacture of Synthetic Detergents, Aluminium Foils, Fatty Acids, Wheels, Salicylic Acid (plus Aspirin Salicylic Acid, Aspirin, Methlesalicydate and Sodium Salicylate), Toilet soap, Electrolytic Capacitors and Gypsum Fibre Board. The project for aluminium foil is the largest involving an investment of about Rs 2200 lakhs. The project for wheels, first of its kind in the country, will involve investment of about Rs 750 lakhs. RIICO will contribute 10 per cent to 20 per cent of the share capital for each project. Equity will also be provided by RIICO on a buy-back basis.

The joint sector projects of RIICO have earned a high reputation for their successful production. Some of them involve a high technology like for manufacture of industrial explosives at Dholpur and Glyoxal at Udaipur. The copper foils project, involving one of the most sophisticated technology in the world, is to start trial run next month at Jaipur.

Industrial Finance Corporation

The Industrial Finance Corporation of India (IFCI) has introduced two new schemes for the benefit of self-development and self-employmen unemployed youths revival of sick units in tiny and small scale sec The schemes are produc oriented and aim at impro productivity of human material resources, givin better deal to the weaker under-privileged sections o society.

IFCI has also liberalised existing schemes of assista to new entrepreneurs meeting the cost of ma surveys/studies and assista to small entrepreneurs subsiding fees of consulta assignments paid by them the Technical Consulta Organisations (TCOs) set by the all-India Financial In tutions.

Readers' Roundtabl

Relations with ASEAN

Sir, In any scheme of promotion of our exports which have now sunk to a distressing level, urgent consideration need be given to our relations with the ASEAN.

Our share of trade with the ASEAN is pitifully small, varying from 2 to 3 per cent. Six years back we had a surplus with each one of the ASEAN, total amounting to $117 million, and now our total deficit with them is to the tune of $34 million.

The ASEAN have reached a point in economic development where they are feeling the strain of both multinationals and trade relations with Japan. In such a situation, it is time we step in resolutely.

This orientation is warranted by another fact. ASEAN trade dependence on developed countries is staggering, it is 82 per cent for Philippines, 76 per cent for Indonesia and 61 per cent for Thailand. If India adopts a long term objective of creating an Asian market, its trade in the region is likely to expand a good deal, replacing the Western goods in a number of areas.

The situation brooks delay. Japan and others luring the ASEAN to concept of Atlantic Co munity and once they succ India would be very m pushed out of the ASE market. The ASEAN h not as yet made up their mi

But in order to succeed this direction, we have begin cooperation with ASEAN from the politi side and convince them t we support them in their absorbing goal of achiev political neutrality in area where a three-corne struggle for power is going between Russia, USA a China. We will have to ra our political prestige in area which has fallen low cause of our attitude ward Vietnamese aggress in Kampuchea which is ing financed with a Sov aid of 6 million dollars day. Political barriers to economic relations with ASEAN will have to be d mantled, just in the inter of our economic well-bei

J.G. Tiv

Aligarh

COMPANY AFFAIRS

t Paper

T PAPER and Industries ses to issue 360,000 rtible secured debentures s 100 each bearing an st of 15 per cent per n. The debentures will paid at par at the end years with an option for company to repay the nt by drawing lots at me after the end of the year from the date of nent. The issue is subject Government consent.

eover, considering requests ome of the preference holders for a higher re- on that investment, the tors have decided to offer aid debentures to prefer- shareholders giving option ing one such debenture ach preference share on tions that each of the rs of such shares subs- one additional debenture ch preference shares for at par.

e company has convened eneral meeting of its bers on July 27 for oval of necessary resolu-

r Sugar

sar Sugar Works has ted poor results for the onth period ended October 981. The Directors have osed to pay lower equity end of 15 per cent. against r cent paid last year.

e results are for 13 months ew of the change in the cial year, from September tober end. The net profit ver has suffered a sharp ck from Rs 1.01 crore s 32.18 lakh.

ring the period under w sales have risen from .89 crore to Rs 11.45 , but gross profit has ned from Rs 1.66 crore to Rs 1.01 crore. After providing for depreciation at Rs 29.74 lakh (Rs 21.22 lakh), for investment allowance reserve at Rs 36.99 lakh (Rs 4.39 lakh) and for taxation at Rs 2 lakh (Rs 39 lakh), the net profit works out lower at Rs 32.18 lakh against Rs 1.01 crore. After plough-backs and adjustments, the disposable profit amounts to Rs 38.89 lakh (Rs 1.05 crore), out of which the proposed equity dividend claims Rs 12.92 lakh (Rs 21.53 lakh), transfer to general reserve Rs 2 lakh (Rs 70 lakh) balance carried forward at Rs 22.97 lakh (Rs 12.88 lakh).

According to the management, the working of the sugar factory during the period under review was satisfactory as compared to the 1979-80 season. During 1980-81 season, the sugar factory started crushing from November 12, 1980 and worked for 166 days crushing 21.07 lakh quintals of cane against 19.21 lakh quintals of cane in 145 days, in the preceding season. The sugar production during the season was higher at 2.05 lakh quintals against 1.86 lakh quintals and the recovery was at 9.71 per cent against 9.68 per cent in the previous season.

New City of Bombay Mfg. Co.

Mr J.F. Shroff, a Director of the New City of Bombay Mfg Co has denied the rumour of possibility of winding up the mill, in view of the present financial crisis caused due to unprecedented strike in the textile mills.

Disclosing this at the annual general meeting of the company in Bombay, he said that the mill would commence normal production once the textile strike was called off.

Referring to the working of the company during the year 1980-81 he stated that the working was adversely affected due to labour unrest resulting in lower production.

During the current year between July and December 1981 sales amounted to Rs 8 crore and estimated loss around Rs 120 lakh.

Shital Commercial

Shital Commercial Ltd is offering 120,000 equity shares of Rs 10 each for cash at par to the public. The company entered the capital market on July 12 and the subscription list will be closed on July 19 or earlier, but not before July 14.

The aim of the present issue is to enable the company to meet its working capital needs. The funds obtained through this issue could be utilised for providing finance required for the company's business

The company has changed the financial year closing to June 30 and hence the next accounting period will be for 18 months from January 1, 1981 to June 30, 1982.

Denis Chem Lab Ltd

Denis Chem Lab Ltd, a new company promoted by the well-bnown industrialist, Mr Laxmikant Bhagubhai Dinesh Patel of Bharat Vijay Mills, is entering the capital market on July 21 with a public issue 2,10,00 equity shares of Rs 10 each for cash at par. The project cost is estimated around Rs 97.50 lakh.

The company which is setting up its plant for manufacturing 75 tonnes per annum of bulk drugs and 40 lakh bottles of intravenous transfusion solutions at Chhatral, Taluka Kalol in north Gujarat is expected to start the commercial production by the end of the current year. Intravenous transfusion solutions—large volume parenterals are life saving drugs and are widely used in surgery, urology etc.

According to Mr Laxmikant Bhagubhai, the project is making satisfactory progress at present. The company would reach the rated capacity of the production within two years from the commencement of the manufacturing activities.

Tisco Output

The Tata Iron and Steel Co has reported lower production of pig iron and liquid steel during the month of June as against the previous month. Output of saleable steel has however risen by 10,000 tonnes at 126,000 tonnes (116,000).

Production of pig iron was marginally lower at 134,300 tonnes (134,900) and that of liquid steel at 147,400 tonnes as against 148,200 tonnes in last month.

The setback in production of the two items was mainly attributed to scheduled shutdown of a blast furnace for the first part of the month.

Mangalore Chemicals

Mangalore Chemicals and Fertilizers proposes to implement the diversification programme with the implementation of ammonium bicarbonate project at a cost of Rs 50 lakh. The said plant is scheduled to be commissioned very shortly.

Moreover, the company has received a letter of intent for the manufacture of DP/NPAK formulations for an annual capacity of 63,500 tonnes. Preliminary project work on DAP/phosphatic fertiliser plant, costing Rs 27.44 crore has been launched.

During the year 1981, on turnover of Rs 97.23 crore (Rs 61.2 crore) the company has earned a profit of Rs 8.99 crore as against a loss of Rs 1.58 crore in the previous year.

According to the management, since the company has made substantial profit during the year under review it has been decided to create reserve for development rebate for Rs 600 lakh and to provide for the balance amount of Rs 366 lakh in the next two years out of the profit. The accumulated losses could have been reduced to Rs

852.26 lakh instead of Rs 1,452.26 lakh but for the creation of this reserve. The creation of reserve for development rebate would enhance the net worth of the shares of the company and in addition saving considerable amount of income tax which the company will have to pay on its future profit, if it had not created it before the expiry of the period of eight years from the date of installation of the plant stipulated under the Income-tax Act.

Marathwada Alloy Steels

Marathwada Alloy Steels is doing well in the current year with production during the first six months amounting to 9,600 tonnes as against 6,600 tonnes during the same period last year.

Disclosing this at the annual general meeting of the company, Mr B. D. Aggarwal, Chairman said that the company is divresifying into manufacture of steel castings and has taken effective steps for putting up a sophisticated rolling mill at Aurangabad.

UEDL Plant Commissioned

The Rs 250 lakh unit of, Uptron Electronic Devices Ltd, has gone on stream with the commissioning of the plant at Sahibabad recently.

The plant has been set up in technical collaboration with RIFA, Sweden, a wholly owned subsidiary of L.M. Ericsson, for the manufacture of high reliability professional grade electrolytic and polystyrene capacitors for the first time in the country. The products to be manufactured by the company will be "import substitutes."

The manufactured samples have been forwarded for type approval to the test laboratories and the company hopes to market its products shortly. The company has started receiving orders for their products.

The foreign directors on the board of the company who visited the plant recently were satisfied with the manufacturing capability of the plant and were confident that the products manufactured in the plant will meet international quality standards.

Chemo Pharma

On a turnover of Rs 7.28 crore, Chemo-Pharma Laboratories has earned a gross profit of Rs 31.10 lakh during the year ended June 30, 1981.

During the previous 15-month period ended June 30, 1980, on a turnover of Rs 7.63 crore, it earned a gross profit of Rs 51.51 lakh.

After making necessary provisions, and with previous year's plough backs, the company has wiped out the accumulated losses of the previous years.

During the year, the performance of the fine chemicals unit was notable. The production of bulk drugs and intermediates was 682 tonnes and B-products 166 tonnes respectively as against 196 tonnes and 60 tonnes respectively druing the previous 15 months' period.

There has been satisfactory increase in the output of bulk drugs and intermediates during the 11 months period ending May 1982.

The working of pharmaceutical division, has however been adversely affected by labour unrest.

Press Metal Dividend

The Press Metal Corporation has proposed to pay an equity dividend of 15 per cent for the year-ended March 31, 1981 on the increased capital, as enlarged by the rights issue of 1.92 lakh shares of Rs 10 each at a premium of Rs 5.50 per share issued last year.

The new shares will participate for pro-rata dividend for four months period from December 1, 1981. The rate of dividend is subject to the approval of the Tamil Nadu Industrial and Investment Corporation Ltd.

During the year under review, despite increase in sales from Rs 6.86 crore to Rs 8.12 crore, the company has earned a marginally lower gross profit of Rs 48.88 lakh as against Rs 50.29 lakh in the previous year.

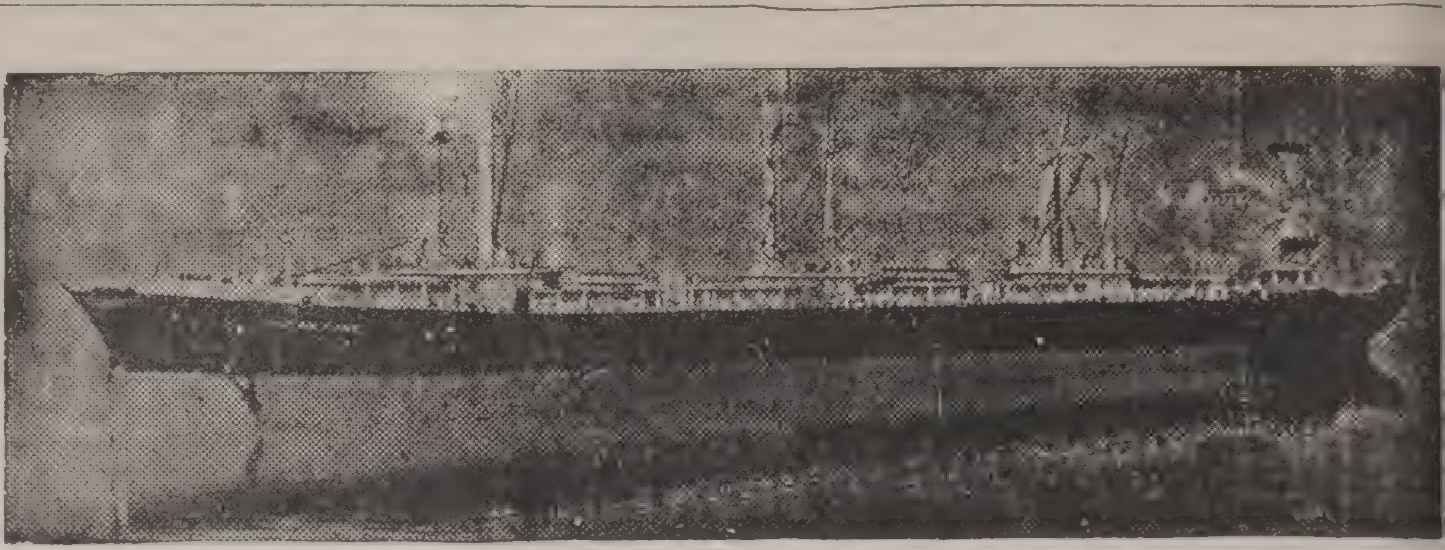
After providing for
reciation at Rs 20.61
(Rs 14.88 lakh), for inv
ment allowance reserve a
9.38 lakh (Rs 7.33 lakh)
for taxation at Rs 1.83 l
(Rs 10.50 lakh), the net p
fit works out to Rs 17.06 l
(Rs 17.58 lakh). After adj
ment and carryover from
previous year, the disp
surplus is Rs 25.37 l
(Rs 37.23 lakh). A sum of
8 lakh (Rs 21.20 lakh)
been transferred to the ge
ral reserve. The propo
dividend will claim Rs 6
lakh (Rs 6 lakh).

Adarsh Chemicals

Mr C.K. Patel, Chairm
of the Adarsh Chemicals a
Fertilizers, has expressed
cautious optimism over t
working of the company d
ing the current year as co
pared to the last year end
December 31, 1981.

His optimism was based
a substantial increase in t
sale of maleic anhydride
963 tonnes as on June
in the current year as co
pared to 1,180 tonnes du
ing the whole of 1981.

He, however, expressed



FOREVER AT THE
SERVICE OF
OUR COUNTRY
AT HOME & ABROAD

Services :
INDIA—U. K. & THE CONTINENT
INDIA/BANGLADESH
INDIA—BLACK SEA &
E. MEDITERRANEAN PORTS.
INDIA—POLAND AND INDIAN COAST

INDIA STEAMSHIP CO., LTD.
"INDIA STEAMSHIP HOUSE", 21, OLD COURT HOUSE ST., CALCUTTA-1.

ation on the profita- of the company of the ition pricing formula duced by the Govern- from May 1980 for single rphosphate pricing.

en Tobacco

lden Tobacco Company ced has registered an und progress during the cial year 1981-82. The d of Directors of the any in their meeting on June 26, 1982 dec- an increased ad-inter-im lend at 12 per cent for year ending June 3, 1982.

a Machines

hia machines has fina- l its plans for major ansion and diversification grammes. The company poses to issue secured parti- convertible debentures of 565 lakhs and balance Rs lakhs by way of internal accrual.

he company is undertak- the manufacture of spin- g machinery required for cotton and woollen tors of the textile industry. has secured collaboration necessary approval for king these machines under ence of Arct of France.

Moreover, the company s stepped up produc- n of twisting machines re- ired by both cotton textile d nylon tyre cord industries. has also received the overnment consent to manu- cture equipment required r the production of fila- ent yarn, and effective steps ve been taken for imple- enting this project. The mpany has also obtained overnment permission for e manufacture of plant d machinery required for e production of synthe- c resin and moulding powder ich as polymeriser, poly- ondenser, extraction dry- g equipment, etc. Requi- ite foreign technical assis- ance for this project has lready been tied up.

Out of Rs 565 lakh face alue of debentures Rs 60 akh are being reserved for referential offer to shareholders, depositors, employees, friends and associates. Debentures worth Rs 100 lakhs are being reserved for preferential offer to non-resident Indians and balance of Rs 405 lakh would be offered to the public through prospectus, some time in August next.

Each convertible debenture of the face value of Rs 200, will be convertible at the end of one year into 7 equity shares of Rs 10 each at a par and balance of Rs 130 redeemable later. The company will provide for buyback scheme for non-convertible portion of Rs 130, not exceeding Rs 50 lakh in a single year.

Modi Alkalies

With a view to meeting part financing of its caustic chlorine complex, Modi Alkalies and Chemicals will shorty enter the capital market with a public issue of 39,77,500 equity shares of Rs 10 each at par.

The plant which is fast coming up at Alwar in Rajasthan will have an annual licensed capacity of 33,000 tonnes of caustic soda, 10,000 tonnes of hydrochloric acid, 16,4000 tonnes of liquid chlorine and combined capacity of 12,600 tonnes of stablebleaching powder and calcium hypochlorite. The commercial production is expected to commence by the first quarter of 1983.

Parke Davis to Enter Market

The foreign shareholding in Parke Davis (India) Limited is being brought down from 83.33 per cent to 40 per cent by voluntary disinvestment by Parke, Davis & Company, USA. The object of disinvestment is to enable the company avail of opportunities for expansion and diversification available to Indian companies.

The disinvestment is being effected through an offer for sale by Parke, Davis & Company, USA of 14,56,000 queity shares of Rs 10 each at a premium of Rs 4 per share, out of which 15,000 shares are reserved for firm allotment to Unit Trust of India, 50,000 shares have been reserved for the employees of the company and 13,91,000 shares are offered for public subscription. The issue open on July 28, 1982.

Parke Davis (India) Ltd was incorporated in April 1958 as a subsidiary of Parke, Davis & Company, USA and is engaged in the manufacture, sale and export of bulk drugs and pharmaceuticals. The company's products cover a wide range of drugs and pharmaceuticals.

The basic drugs and formulations manufactured by the company are based on know-how provided by Parke, Davis & Company, USA. In 1970, Parke Davis & Company, USA was acquired by Warner-Lambert Company which is a major worldwide provider of health care and consumer products.

The company's paid-up capital is Rs 336 lakhs and its reserves stand at Rs 212.68 lakhs. The company declared a dividend of 23 per cent for the year ended November 30, 1981.

The company's manufacturing facilities are located at Saki Naka, Bombay. The company markets its products through a network of stockists and distributors throughout the country. The company has a field force of over 150 qualified, trained and experienced medical servicemen who promote the company's products to the medical profession.

GOVERNMENT OF INDIA

6.25 PER CENT, LOAN, 1986 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 26TH JULY 1986.

7.25 PER CENT. LOAN, 1992 (SECOND ISSUE) TO BE ISSUED AT Rs. 100,00 PER CENT. AND REPAYABLE AT PAR ON 24TH MAY 1992.

9.00 PER CENT. LOAN, (SECOND ISSUE) TO BE ISSUED AT Rs. 100,00 PER CENT AND REPAYABLE AT PAR ON 24TH MAY 2013.

Subscriptions to the above loans will be received simultaneously in the form of cash/cheque or of securities of Government of India 5 per cent. Loan, 1982 and/or 5½ per cent. Loan, 1982 which will be accepted at par and will be limited to a total of Rs. 554 crores. Government reserve the right to retain subscriptions upto ten per cent. in excess of the notified amount.

2. Subscriptions will be received only on the 26th July 1982 upto the close of Banking hours. In the event of a holday being declared under the Negotiable Instruments Act, 1881 on that day by any State Goverment, the subscriptions will be eccepted at the concerned receiving offices in that State upto the close of Banking hours on the following working day.

3. If the total subscriptions received for the loans exceed the notified amount plus the amount of ten per cent. retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received on a proportionate basis and the balance refunded in cash as soon as possible.

4. Interest on securities of 5 per cent. Loan, 1982 tendered for conversion will be paid at the rate of 5 per cent. per annum upto and inclusive of 14th July 1982. In addition, anticipatory interest will also be paid according to the rate of interest of the new loan applied for i.e. 6.25 per cent. or 7.25 per cent. or 9.00 per cent. as the case may be from 15th July to 25th July 1982 at the time for issue of new securities.

5. Interest on 6.25 per cent. Loan, 1986 will be paid half-yearly on 26th January and 26th July. Interest on 7.25 per cent. Loan, 1992 (Second Issue) and 9.00 per cent. Loan, 2013 (Second Issue), for the period 26th July 1982 to 23rd November 1982 (inclusive) will be paid on 24th November 1982 and thereafter interest will be paid on them half-yearly on 24th May and 24th November.

6. Applications for the new loans will be received at :
   (a) Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Gauhati, Hyderabad, Jaipur, Kanpur, Madras, Nagpur, New Delhi and Patna,
   and
   (b) Branches of the State Bank of India at all places in India except at (a) above.

7. Securities will be issued in the form of Promissory Notes or Stock Certificates.

8. For any further clarification, please apply to any of the offices or branches mentioned in paragraph 6 above.

On its 13th birth anniversary

REC

rededicates itself
to the service of the nation
to achieve as early as possible
the cherished goal of
100% village electrification

Rural Electrification
Corporation Limited

POWER FOR MILLIONS

Electricity for Rural Development

RURAL Electrification poration (REC), one of front-line public sector anisations engaged in critical task of rural elopment has made com- ndable progress. Since its ablishment in 1969 the Cor- ation has significantly con- buted towards socio-eco- mic transformation of al areas by promoting and ancing rural electrifica- n all over the country. All ong, the Corporation has d stress on productive ilisation of electricity, parti- larly for agriculture and dustry, which has resulted better production and pro- uctivity, increased incomes nd greater employment.

Progress

The progress made by the Corporation during the de- ade 1971-72 to 1980-81 has indeed been remarkable. While 116 projects were approved by the Corpora- tion in 1971-72 the number of projects approved increased to 1035 in 1980-81 showing a steady expansion in its operations. The financial assistance sanctioned also continued to rise from Rs 65 crores in 1971-72 over Rs 263 crores in 1980-81. Actual disbursements increased from Rs 36 crores in 1971-72 to Rs 184 crores in 1980-81. Of course, the recoveries by the Corporation have also increased from a negligible level of Rs 3 lakhs in 1970-71 to Rs 32.80 crores in 1980-81. The number of pumpsets energised increased from 60,198 in 1973-74 to 749,760 in 1980-81. All these years the Corporation has been making steady profits so that the amount of profit after tax went up from Rs 73 lakhs in 1971-72 to Rs 7.25 crores in 1980-81.

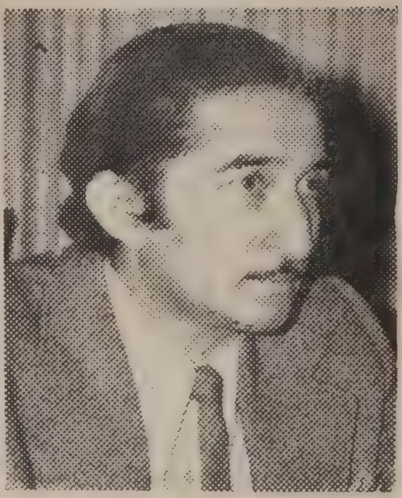
With increasing investments, it has been possible to reach electricity to 50 per cent of the total of over 5.76 lakh villages in the country, covering 70 per cent of the rural population. At the same time more than 45 lakh irrigation pumpsets have been energised so far. The table below indicates the progress of village electrification and pumpsets energisation over the past 30 years.

It will thus be seen that there has been almost 14-fold increase in the number of villages electrified in the country since 1961. In the case of pumpset energisation the progress has been even more striking. What rural electrification has achieved so far is by no means insignificant. In fact, its pattern, pace and progress can be a matter of pride for any developing nation.

Over the years, several scientific studies have been undertaken to evaluate the impact of rural electrification. Based on the findings of these studies, it is estimated that there has been an increase of about four million hectares in irrigated areas as a result of rural electrification, the production increase being of the order of over 20 million tonnes. According to another notable finding, at the beginning of the current year, over 1300 million mandays of permanent employment had been generated as a result of the gigantic programme of rural electrification undertaken in the country. Besides palpable gains in the fields of agriculture and industry, electrification has considerably improved the life style of villagers and reduced their drudgery. What is more, it has brought about salutary changes in their social behaviour, mental attitudes and cultural ethos. The general awareness of the people has increased, enlarging the opportunities of access to developmental efforts undertaken to speed up progress.

New Measures

Recently the Corporation has taken a series of far-reaching measures to meet the new challenges of accelerated rural development under the new 20-Point Programme. It has re-organised its set-up and streamlined its operations to achieve its objectives. Project level offices have been set up all over the country to promote better interaction with State Electricity Boards and to help them in speedy formulation and execution of electrification projects. The loan portfolio of the Corporation has been restructured and streamlined and an independent Monitoring Division has been set-up to keep a close watch on the implementation and progress of rural electrification projects to ensure their timely completion and extension of benefits to rural masses. During the current year which has been declared as the Year of Productivity, special efforts are afoot to further accelerate the pace of rural electrification. High level meetings have been held with State Electricity Boards to review progress and it has been agreed that during 1982-83, SEBs would attempt to electrify over 26,000 villages as against the target of 21,200 villages fixed by the Planning Commission earlier.



P.M. Belliappa, Chairman, REC

The Corporation has sanctioned over 5300 projects all over the country involving an aggregate loan assistance of about Rs 1,700 crores. Of these projects over 2,000 are located in backward areas and over 500 projects are meant for electrification of tribal areas. Together, these projects envisage electrification of over 2.2. lakh new villages and energisation of 19 lakh irrigation pumpsets. In addition, the projects are programmed to provide power connections to over 2 lakh industrial units and eleven lakh street light points besides over 47 lakh domestic and commercial connections. REC has also sanctioned over 360 projects for the electrification of over 23,400 harijan bastis.

Rural Electrification Cor-

As on	Progressive total of Villages electrified	Pumpsets energised
1.4.1951	3,061	21,000
1.4.1961	21,750	1,98,904
1.4.1969	73,732	10,88,804
1.4.1975	1,72,169	26,11,982
1.4.1979	2,33,042	35,99,328
31.12.1981	2,82,564	45,15,069

Rural Electrification Corporation

Rural Electrification Corporation (REC) is the premier public sector enterprise engaged in the task of providing power to millions of people in rural India.

Since its inception in July, 1969, it has sanctioned over 5,300 projects covering more than 3.38 lakh villages all over the country. With a total loan assistance of about Rs 1,700 crore so far, its projects are programmed to electrify over 2.2 lakh new villages and energise more than 19 lakh irrigation pumpsets, besides over 2 lakh rural industries and about 51 lakh domestic and commercial connections and street lights.

* REC provides soft loans on long-term basis to State Electricity Boards, Rural Electric Cooperatives and State Governments to extend electricity to rural areas.

* REC lays emphasis on the productive use of power through energisation of irrigation pumpsets and rural industries.

* REC gives special attention to electrification of underdeveloped and backward areas, especially to electrification of pockets inhabited by scheduled castes and scheduled tribes and other weaker sections of society.

* REC finances Rural Electric Cooperatives to promote distribution of electricity on cooperative basis with a view to achieving better and quicker service through active consumer participation and involvement.

* REC undertakes regular and close monitoring of projects to ensure their timely completion.

* REC develops standard equipments, materials and construction practices for rural electrification to achieve maximum system efficiency and economy.

* REC promotes use of alternate sources of energy like bio-gas, solar and wind energy to create supplementary energy sources for rural areas.

* REC imparts training to engineers in all aspects of rural electrification to ensure efficient and early execution of RE projects.

* REC provides technical assistance and consultancy services in rural electrification to organisations within the country and abroad.

on has disbursed a oan assistance of over 7 crores by the end of 1982. The Corporaas been making sizerofit over the years. The for 1981-82 is expected substantially higher he net profit of Rs 7.25 during the previous year 980-81.

number of villages ified under REC's prone of rural electrificahas already crossed the akh mark, which is al20 per cent of the total er of villages in the ry. Similarly over 8.67 irrigation pumpsets been energised. In the of village electrification achievement is over 72 cent of the phased target it is over 83 per cent in case of energisation of ultural pumpsets. Under Special Project Agricul- (SPA) programme h is jointly financed by , the Agricultural Rece Development Cortion (ARDC) and comial banks, the achievet in pumpset energisahas been 104 per cent.

ne of the important promes of the Corporation ral electrification under Minimum Needs Promme which has since been ified and redesignated Revised Minimum Needs gramme (RMNP). Under programme all districts h had not achieved 50 cent village electrificaas on March 31, 1978, ld be eligible for special stance on concessional s to expedite electrifica-. The Corporation has tioned over 840 projects the electrification of these s.

ith a view to acceleratrural electrification and ing more funds available it, REC has launched a programme of pumpset gisation jointly with the icultural Refinance Devenent Corporation (ARDC) commercial banks. The gramme known as Special ject Agriculture (SPA)) isages an investment of Rs 630 crores to energise eight lakh pumpsets in potential areas to give further fillip to agricultural production. The programme is in full swing and already about 2.4 lakh pumpsets have been energised in SPA project area.

In accordance with its charter, REC has been vigorously promoting and financing rural electric cooperatives in different States for distribution of electricity on cooperative basis. So far 28 such cooperatives have been sanctioned by the Corporation involving an aggregate loan assistance of Rs 50.40 crore. These cooperatives, acting as decentralised agencies have blazed a new trail in the field of rural electrification and achieved better results because of the active involvement and participation of consumer-members.

Another area which has received sustained attention of the Corporation is standardisation of equipment and materials as also the construction practices used in rural electrification. The object has been to achieve maximum economy and efficiency in the construction and maintenance of rural net-work. Already major items of equipment and a large number of construction practices have been standardised and these are being universally adopted by State Electricity Boards all over the country. A number of system improvement projects have also been sanctioned by the Corporation to improve the efficiency of the existing net-works to ensure regular supply and reduce power line losses.

Training of engineers and other personnel engaged in rural electrification has received the special attention of the Corporation. In its Central Institute for Rural Electrification at Hyderabad already more than 500 engineers from different State Electricity Boards all over the country have received training in project management, construction and other aspects of rural electrification. In addition, the Corporation has sanctioned a large number of special schemes to enable SEBS to set up training centres for Linemen and Assistant Linemen. It is proposed to further strengthen the training facilities and broadbase them to meet the needs of modern management.

Scene of a rural industry run on electricity

Over the years, the Corporation has acquired considerable experience and expertise in various aspects of rural electrification and it has now branched out into the field of providing professional consultancy to organisations within the country and abroad. A technical assistance contract was entered into with SONEEGAZ, the National Agency for Distribution of Electricity and Gas in Algeria, under which REC engineers helped that country in planning and executing rural electrification projects. For Egypt, REC experts have formulated rural electrification projects for two areas for which Indian material and equipment are likely to be supplied. REC is in the process of extending its technical assistance to several other countries in Asia and Africa.

Simultaneously, with efforts to increase power generation in the country to meet the growing demand of various sectors of economy, the Corporation has been making efforts to promote alternate sources of energy including biogas, solar and wind energy etc. A notable effort in this direction has been the setting up of community bio-gas plants in two villages of the Sircilla Rural Electric Cooperative in Andhra Pradesh. Pilot projects for utilizing solar energy have been taken up at some places and there are proposals to exploit other energy sources like wind and bio-mass.

Looking ahead, still half of the villages of the country remain to be electrified. At the same time the scope for pump energisation is enormous as according to estimates, only 50 per cent of the available ground water potential has been utilised so far. Future projections envisage total electrification of the country by mid-nineties. During the Sixth Plan period it is targetted to electrify one lakh villages and to energise 25 lakh irrigation pumpsets. In the new climate generated in the wake of the new 20-point Programme and special emphasis laid on accelerated rural development prospects of achieving the cherished objective of hundred per cent electrification seem to be bright. What augurs well for the future is the wide acceptance of the importance of electrification in rural growth.

No.1 SFC

"Meeting new challenges through human resources development-key to APSFC's success"

Excerpts from Chairman's address to the Shareholders of Andhra Pradesh State Financial Corporation at the 26th Annual General Meeting held on 29th June, 1982.

R. Surender Reddy MLA
Chairman

Gentlemen

I have great pleasure in welcoming you to the 26th Annual General Meeting of our Corporation. This year commemorates 25 years of service of your Corporation in the cause of industrial development of the State. I am happy to inform you that the Corporation has held the coveted Number ONE position among all the SFCs in the country for the 3rd year in succession in terms of sanctions, disbursements and recovery. This, indeed, is no small achievement considering the level of industrial development in the States like Maharashtra, Gujarat, Tamilnadu etc. Now is the time to chalkout a positive path with perspective vision for a prosperous future.

Human Resources Development

APSFC prides in calling itself a development bank, a bank for development of human resources. We, at APSFC, strive to consolidate human resources and channelise them into right industrial ventures. Human resources development, as we perceive, is the development of professional skills to continuously guide the process of development itself. To this end, we have been able to develop a core of personnel within the Corporation who lend a wide range of professional services. During 1981-82, we have been able to crystallise as many as 1885 industries. With an aggregate investment outlay of Rs 138.87 crores, these industries will generate direct employment for 35,512 personnel besides providing indirect employment to thousands of others.

Economic Situation

On the national scene, 1981-82 was a year of consolidation and cautious growth. GNP recorded an increase of 4.5% on top of 7.5% in 1980-81 from a fall of 4.8% in 1979-80. Industrial production during 1981-82 rose by over 9%. Some of the notable developments of the last year relate to a remarkable improvement in the infrastructure group of industries which, in the past, have been acting as a major constraint in industrial growth. As per the Sixth Plan, combined gross investment of Private Corporate and Co-operative Sectors in the Sixth Plan would be Rs 19,582 crores of which the Private Corporate Sectors investment will be Rs 17,582 crores at 1979-80 prices. To achieve the overall plan target, the gross investment in the Private Corporate Sector has to grow annually from Rs 2,760 crores in 1980-81 to Rs 4,370 crores in 1984-85. Considering the level of inflation in the first two years of Sixth Plan and assuming that the rate of inflation from fiscal 1982-83 is at an average of 5%, gross investment in the Private Corporate Sector will have to rise to Rs 4,500 crores in 1982-83 and to Rs 6,900 crores by 1984-85 from Rs 2,712 crores per year in the first two years of the Sixth Plan. Such a high level of investment in the remaining period of the plan would call for constructive changes in the fiscal and monetary policies. The Sixth Five Year Plan envisages the manufacturing sector of the Indian economy to grow at the rate of 7.6% in terms of gross value of output. This growth target calls for mobilisation of such vast resources that the task before the manufacturing sector as well as the term financing institutions, more particularly SFCs, being the premier term-lending institution in the States, is quite challenging. SFCs will have to be provided the required support by IDBI through its refinance scheme to a significant extent and the State Govt. and IDBI will have liberally contribute to the share capital and allocation of bonds.

Review of Operations

The financial assistance sanctioned, disbursed and recovery of overdues during 1981-82 have touched an all-time record since inception of the Corporation. The gross financial assistance sanctioned by the Corporation during 1981-82 stood at Rs 61.86 crores compared to Rs 47.38 crores during 1980-81. The disbursals made during the year were also higher at Rs 37.41 crores compared to Rs 30.65 crores in 1980-81. The cumulative sanctions and disbursements as on 31st March 1982 stood at Rs 271.31 crores and Rs 167.46 crores respectively. The loans and advances outstanding as on 31st March, 1982 have gone upto Rs 127.60 crores from Rs 100.03 crores as at the beginning of the year. The performance of the Corporation in the area of recovery during 1981-82 was also very impressive. Out of Rs 33.50 crores collectable towards principal and interest, the Corporation has realised Rs 21.33 crores during 1981-82. The percentage of overdues to the loans outstanding as at 31st March, 1982 was only 9.5% compared to 9.8% at the end of the previous year.

Development of Backward Areas

The Corporation has been actively associating in the implementation of the Prime Minister's 20-point economic programme, with particular reference to industrialising the backward areas and providing gainful employment and industrial opportunities to the economically weaker sections and launched several innovative schemes. During the year, the Corporation sanctioned an amount of Rs 27.53 crores to units located in backward areas, compared to Rs 23.19 crores in 1980-81, recording an impressive growth rate of 18-8%.

Assistance to Small and Tiny Sectors

The small and tiny sector units received utmost attention of the Corporation. During the year, an amount of Rs 45.79 crores was sanctioned to 1796 small and tiny sector units, compared to Rs 28.32 crores in 1980-81. This constitutes 96.15% in terms of number of units and 74.34% in terms of amount sanctioned during the year.

Assistance to Special Scheme

The Corporation has designed a number of innovative schemes over the years for the benefit of the educated unemployed and to encourage various entrepreneurs. During the year, the Corporation sanctioned an amount of Rs 1.58 crores to 92 ventures promoted by educated, unemployed persons under the 'Self-employment Scheme'. As part of the Ancillary Development Programme, the Corporation financed a record number of 150 ancillary units for an amount of Rs 3.27 crores during the year. The Corporation also sanctioned foreign exchange loans under the World Bank Line of Credit to 14 units for an amount of Rs 2.52 crores.

Resources

The capital base of the Corporation has been impressively strengthened during the year. The additions made to the share capital by the State Govt. and IDBI during the year were Rs 4.20 crores. The capital of the Corporation as at end of 31st March 1982 was 13.67 crores including Rs 3.67 cr 'Loan Pending Conversion Capital'. This substantial addi enabled the Corporation to raise required funds from IDBI by way refinance to meet its increas commitments and thus achieve pressive working results.

Organisation

With a view to extend more sonalised services to the entrep neurs, the Corporation during year has opened Ranga Re Branch taking the total number branches to 13. Further, the C poration during the year, has ope three more Field Offices at Manc rial, Mahaboobnagar and Surya taking the total number of Fi Offices to 11.

Changes in the Board

During the year, Shri D.V. Sastry, an elected director represe ing Insurance Companies and S S.K. Nathan, an elected direct representing Banking Compan have resigned from their direct ships and in their places Shri N. Parameswaran and Shri M.V. Subr maniam respectively have be elected. During the year, the ID nominated Shri G. Krishna Murt and Shri V.V. Subba Rao in t places of Shri V.J.B. Andrews a Shri G.R. Kulkarni.

The RBI nominated Shri Dhanvandran in the place of Sh M. Natarajan.

Acknowledgements

I would like to express my de appreciation of the excellent coop ration and guidance received fro the State Govt. and the Chi Minister in particular. I would al like to place on record my since thanks to the Chief Secretary, Indu tries Secretary and Finance Secreta to the Govt. and other officers the Secretariat for their excelle support which has been a source inspiration to the Corporation. take this opportunity to reassure t Govt. that, as in the past, the Co poration will continue to impleme whole-heartedly its objectives industrialising the less develop areas of the State and in renderi generous financial assistance to t economically weaker sections, pu suant to the 20-point economic pr gramme of our Prime Minister, Sm Indira Gandhi.

Before I conclude, I express m gratefulness to the shareholders the Corporation for the intere evinced in the Corporation's acti ties and performance and for t time you have been able to spare be present here today.

Hyderabad
29th June 1982

R. Surender Red
Chairman

This does not purport to be record of the proceedings of t Annual General Meeting, but on an extract of the Chairman's Speec

Andhra Pradesh
State Financial Corporation
5-9-194, Chirag Ali Lane, P.B.No. 165, HYDERABAD 500 001.

EASTERN
ECONOMIST

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APRIL TO JUNE 1980

ABBREVIATIONS

Leading Article	LA
In The Nation	NA
Point of View	PV
Other Article	OA
Special Feature	SF
Window on the World	WW
Books Briefly	BB
Records and Statistics	RS
Economic Analysis	EA
Focus on Industry	FI
State of the Economy	SE

(For Company Affairs see pages 138 and 141)

Registered Office :

UCO BANK BUILDING
Parliament Street, New Delhi-110 001

A

Administration

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Company Deposit Rules SE 758
Fifteen New Cabinet Ministers SE 1183
New Export Policy NA 754
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Credit for Industry

MF ceilings on credit and revised guidelines of the Reserve suggest that the grant of credit by commercial banks to on-food sector this year, will not be much different from -82 . The total outstanding credit is to be limited to ,679 crores by next March-end, as against Rs 73,729 crores e close of last March. Bank credit to the Union and State ernments is to be allowed to grow only to Rs 36,453 crores Rs 30,903 crores. This expansion will be marginally more Rs 5,167 crores in 1981-82. Credit to the non-Government or can be expanded by Rs 8,400 crores to Rs 51,226 crores y about 19.5 per cent. The Governor of the Reserve Bank indicated that the expansion in non-food credit could be und 16.8 per cent, approximately the same in percentage ns as in 1981-82. As the rate of inflation has gone down iderably, this may mean even better real growth in non- credit than last year. But does this really mean that the istry and trade can look forward to considerable relaxation redit to them?

oth the Union Finance Minister and the RBI Governor e taken pains to reassure industry that notwithstanding the for measured credit expansion, regulation of credit will be e in such a manner that legitimate production requirements adequately met. Yet industry and trade undoubtedly are eriencing credit difficulties. The RBI Governor has even re-led that whereas food credit has grown during the first rter of the year in line with expectations, non-food cre- has not risen as expected. This might be partly due to the essionary trends in certain segments of industry and trade. major explanation for this, however, is the exercise of ex-sive caution by banks under directions from the Reserve Bank.

Non-food credit was scaled up during 1980 to Rs 21,678 res from Rs 18,967 crores in 1979 and further to Rs 26,492 res in 1981. The credit allowed to large and medium-scale lustry, however, went up from Rs 7,727 crores in 1979 to Rs 9,357 crores in 1980 and Rs 10,958 crores in 1981. The corresponding credit figures for wholesale trade are Rs 1,640 crores, Rs 1,823 crores and Rs 2,163 crores, respectively. Credit expansion was much more pronounced in the case of priority sectors—from Rs 6,485 crores in 1979 to Rs 8,017 crores in 1980 and to Rs 10,412 crores by December, 1981. The envisaged overall expansion of 16.8 per cent in non-food credit this year, thus, is no indication of liberal provision for industry and trade: pronouncements are being made frequently for enlarging credit to the priority sectors.

Some remedial steps, indeed, have been taken to assist such industries as tractors and heavy vehicles: the ultimate buyers of these industries require loans from banks or Government. But the measures announced so far have been only half-hearted. The situation may improve somewhat with deposits showing a slight upward trend since the middle of May. By May 28 they had grown to Rs 46,197 crores after ranging between Rs 44,556 crores and Rs 45,528 crores during the four months to April-end. The general cash reserve ratio too has been brought down to seven per cent from 7.75 per cent. In the case of non-resident (external) accounts it has been reduced to three per cent. Refinance of food credit to 100 per cent beyond Rs 2,600 crores is another helpful factor. Some elbow room has been provided to banks by fixing a unified cut-off point for the credit-authorisation scheme for working capital limits for the private and public sectors at Rs 3 crores. Still, on the basis of the current cash reserve and liquidity ratios, which are proposed to be maintained for the rest of the year, it may not be possible to have 16.8 per cent expansion in non-food credit unless deposit mobilisation gathers momentum. The RBI Governor himself recognises this and has indicated that "to the extent genuine requirements warrant the need for supplementing banks resources, the Reserve Bank would consider bridging the gap suitably".

Inflation Strikes Back

AS RECENTLY as April, the Government was boasting that inflation had turned negative, with wholesale prices being lower than a year ago. Ever since then, prices have been galloping upwards. In the months of May and June, there was a cumulative price rise of 4.7 per cent. This is in part the usual seasonal upswing. What is worrying is that the upswing is much sharper than last year. Hence the annual inflation, which had turned negetive in April, was up by 2.4 per cent in June.

Not only has the seasonal upswing been sharper, the seasonal downswing in the post-monsoon period looks like being much more muted than last year. This is due to the very poor start that the monsoon has got off to. Even if the rains are fairly good from now onwards, the damage has been done in some areas. This has fuelled inflationary expectations.

It is also worth remembering that the scope for a downswing in prices was much greater last year. The prices of sugar, gur, khandsari, edible oil and pulses had gone sky high in the preceding two years, and it was possible to have a big fall in their prices in late 1981. There is no longer scope for a big fall thi autumn, even if there is a good crop. Meanwhile procuremen prices are likely to go up to compensate farmers for increase costs of production. In view of this, post-monsoon prices ar likely to fall only modestly. If the monsoon fails, there may b a contra-seasonal upswing instead. At very best, the wholesal price index is likely to rise by five or six per cent on a point-to-point basis during this financial year. If the monsoon fails, w will plunge into double digit inflation once again.

The sharpest increases in prices in May and June had been predictably, for food articles (9.1 per cent). Non-food primar goods are up by 7 per cent; light, power and fuel by 2.0 pe cent; and manufactured products by 3.3 per cent. On the one hand this means that the terms of trade for farmers have improved. On the other hand it means that inflation has bee focussed on items of basic consumption, many of which ar essential for the poor. It is a grim reminder of the magnitud of the tasks ahead.

Recent Wholesale Price Movements
(End April to End June 1982)

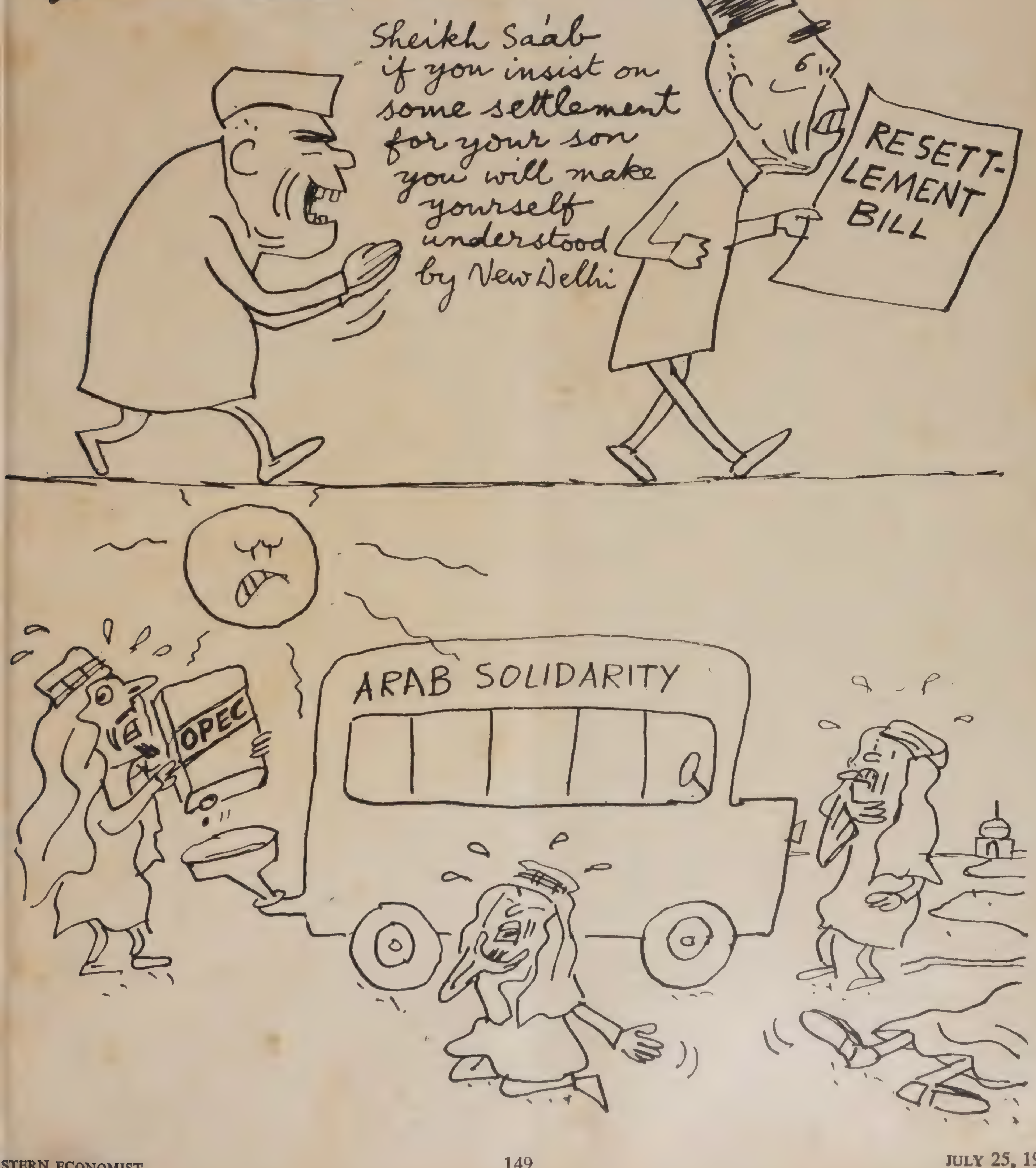
Week ended	Index Number of Wholesale Prices (Base: 1970-71 = 100)							
	All Commodities	Primary Articles			Fuel, Power, Light and Lubricants	Manufactured Products	Agricultural (including Animal Husbandry Products) (Derived)*	Terms of Trade (5) as % of (4)
		Total Articles	Of which: Food Articles	Non-food				
	(1)	(2)	(2a)	(2b)	(3)	(4)	(5)	(6)
Weight	**1,000.00**	416.67	297.99	106.21	84.59	498.74	404.20	
April 24, 1982 (Last week of April, 1982	**274.3**	254.7	229.0	225.6	437.7	262.9	228.1	86.
May 1, 1982	**274.6**	255.6	230.7	224.7	437.2	262.9	229.1	87.
May 8, 1982	**275.5**	256.9	232.2	225.3	437.2	263.6	230.4	87.
May 15, 1982	**277.7**	259.6	235.5	226.9	437.2	265.7	233.2	87.
May 22, 1982	**278.9**	260.9	236.7	228.6	437.2	267.0	234.6	87.
May 29, 1982 (Last week of May, 1982)	**280.6**	263.9	238.6	234.9	446.5	266.4	237.6	89.
June 5, 1982	**282.1**	265.2	239.7	236.9	446.5	268.4	239.0	89.
June 12, 1982	**284.6**	268.2	243.0	239.3	446.5	270.9	242.0	89.
June 19, 1982	**285.7**	270.5	246.3	239.8	446.5	271.1	244.6	90.
June 26, 1982 (Last week of June, 1982)	**287.2**	273.5	249.8	241.5	446.5	271.7	247.6	91.
				Percentage Variation				
During May, 1982 (Last week of May over last week of April, 1982)	**2.3**	3.6	4.2	4.1	2.0	1.3	4.2	2.
During June, 1982 (Last week of June over last week of May, 1982)	**2.4**	3.6	4.7	2.8	—	2.0	4.2	2.2
During May and June, 1982 (Last week of June over last week of April 1982)	**4.7**	7.4	9.1	7.0	2.0	3.3	8.5	5.1

*Derived as the weighted average of the figures in cols. (2a) and (2b).

Source : Office of the Economic Adviser, Ministry of Industry, Government of India

Compiled by **P. Vaidyanathan**

THIS 'N THAT by Kevy


Sheikh Saáb if you insist on some settlement for your son you will make yourself understood by New Delhi
RESETT-LEMENT BILL
ARAB SOLIDARITY
OPEC

Amending Labour Laws : Tinkering or Overhaul ?

Someshwar Dayal Singh

IN AN effort to curb the deteriorating labour relations in the country, the Government has sought to plug some of the loopholes in its laws enacted more than three to four decades ago. The changes can by no means be described as thorough and fundamental. In fact, they bypass certain issues of considerable significance and have attracted mixed reactions.

It is a sad commentary, to begin with, that the national tripartite bodies like the Indian Labour Conference and Standing Labour Committee have not met for the last ten years. These bodies, undoubtedly, constitute the best forums for legislative changes in labour policy because the consensus reached in the tripartite conference would ensure greater acceptability and better compliance. The Indian Labour Conference, it is expected, will meet this year in September.

The Council of Indian Employeers has welcomed the Government's initiative but is rather unhappy over a number of provisions. In particular the Council is most perturbed over the introduction of restraints on closure through the proposed new section 25(o). This section lays down that an employer who intends to close down an undertaking must apply to Government 90 days in advance for permission to do so, that Government will give such permission after considering the genuineness and adequacy of reasons advanced by the employer, the interest of the general public and other relevant factors, that Government may review its decision granting or refusing to grant the permission or refer the matter to a tribunal for adjudication.

Supreme Court Verdict

The Council maintains that the re-introduction of the clause which was struck down by the Supreme Court is violative of the fundamental right of the employer to wind up his business. The Supreme Court in the Excel Wear case had ruled that: "It would be wrong to say that an employer had no right to close down a business once he starts it", and that "he obviously has such a right". It is possible, the Council admits, that an employer may be guided by ulterior motives in closing down his business. But to suspect all closures as mala fide is unwarranted presumption by the lawmakers and would take its toll on the setting up of new enterprises in the long run, the Council maintains. As a living example of the potential damage of this provision, the Council cites the current strike in the 60-odd cotton textile mills in Bombay. Though the strike has been declared illegal and all attempts by Government to pursuade the workers to return to duty have failed so far, the mill-owners have to abide by the Maharashtra Act, which requires them to seek prior permission of the State Governments for closing down their mills. In the more than six months old strike about 2.5 lakh workers are affected, the production and wage loss being Rs 4 crores and Rs 60 lakhs per day, respectively. As it is, about 29 mills may not be in a position to resume work even if the strike ends now.

Another important factor for which the employers are prodding the Government to take serious note of is the case of 'go-slow'. They maintain that more damage is done to production through 'go-slow' action by workers than due to strikes but such losses go mostly unrecorded and unpunished. There is no effective remedy at present against these tactics, which have rightly been condemned by the Supreme Court. The management cannot deduct wages proportionately as such deduction is not permissible under the Payment of Wages Act.

Concrete Suggestions

The Council has made concrete suggestions to counter the malady. For instance, in the Payment of Wages Act, 1936, it suggests that it should be added that "If any worker or a section of workers resort to go-slow resulting in retardation of output, the wages payable to him shall bear the same proportion to his normal wages as the actual output during the period of go-slow bears to the average output in the six months of preceding the period of go-slow." In addition, the Industrial Disputes Act, 1947, should be amended such that, "A lock-out declared in consequence of an illegal strike shall not be deemed to be illegal".

A tricky issue which the Government has fought shy of for years and which is instrumental in resolving clashes between the workers and the employers is the procedure for recognition of a union or for the determination of the negotiating agent. The National Labour Commission had expressed the view that there should be a statutory provision for recognition of a representative union of workers in an establishment as a sole bargaining agent. Such an arrangement, the Council of employers argue would by itself solve many intractab problems which plague the industri scene today as the multiplicity of trac unions as well as inter-union rivalri would be largely kept under check.

However, though the Industrial Di putes Act amendment contains no r ference to the above issue, the Hospit and Other Institutions (Settlement of Di putes) Bill does provide for statuto recognition of unions. Accordingly, r cognition is proposed to be on the bas of membership, 30 per cent being pre cribed as the minimum membership fo recognition.

Grievances Procedures

The Council has made a number o other suggestions relating to the amend ment in the Industrial Disputes Act With reference to the new chapter pro posed to be inserted in the law whereb employers employing 100 and mor workmen are obliged to set up a grie vances settlement authority for th settlement of industrial disputes th connected with individual workman, th Council argues that in a number o industrial units there already exist es tablished grievance procedures eithe under standing orders or otherwise an which have been functioning to the com plete satisfaction of workmen and th employers. Units with such provisions the Council maintains, should be ex empt from setting up a separate grie vance settlement authority. In cases o dispute where due consideration proceedings are deemed necessary, the new law proposes to empower the conciliation officer to enforce attendence of the concerned parties. Such powers, the employers feel, as proposed to be vested in the conciliation officer, are too wide and far in excess of the requirements of their role as mediator. To facilitate matters, employers feel that "the authorised representatives of a party to the dispute" should be permitted as well instead of just the concerned parties.

Regarding lay-off, the proposed amendment permits lay-off without prior permission in the case of mines where such lay-off is due also to fire, flood, excess of inflammable gas or explosion. Even in such cases, however, the employer must apply to the prescribed authority for approval within 30 days of the commencement of such lay-off. The council of employers feels that the above permission should be sufficiently widened as to permit lay-off in any establish- nt compelled by the abovementioned sons and for shortage of fuel for eration of power and for processing be effected without prior permission.

The employers are especially piqued er some of the clauses in the first part Schedule V of the ID Act. They ege that the operation of these clauses uld result in multiplying assumed evances and could challenge even rmal and routine functions of the nagement. Specifically, they point t that a workman who does not like a ge increase granted to any other work- n, will challenge such wage increase der clause (c) and unfair labour prac- e; a workman, who does not like pro- otion of another workman, will challenge promotion as unmerited under clause) ; a workman, who is discharged dismissed for misconduct after holding domestic enquiry could challenge ter- nation of his service alleging utter sregard of the principle of natural stice under clause 5(f); and a workman nsferred not another place where he es not like to work, could challenge transfer as mala fide under clause 7. e Council of Employers, therefore, s proposed a detailed text of unfair actices which includes, significantly, en those on the part of the employers sides those relating to workers, trade ions and inter-union relationship.

Definition of ‘Retrenchment’

The employers have also sought clari- ation on the definition of the term etrenchment". The Supreme Court rul- g on the subject at two different points time has created some confusion. hereas the Supreme Court in Hari asad Shiv Shankar Shukla's case (1957) unciated that "retrenchment" operates nly when a portion of the labour force discharged due to surpluses and ot when the the entire labour force terminated due to bonafide closure the business, in its subsequent ruling the case of State Bank of India S. Sundramony it held that every ter- ination of employment even of a single dividual for any reason whatsoever is vered under the definition of "re- enchment". The Supreme Court, how- er, held that the dictum in Hari Prasad se will hold good in case of complete osure. In the circumstances, the em- oyers' Council has pleaded that the finition of "retrenchment" be amend- l to make it more precise so as to clarify at "retrenchment" covers termination service of workmen found surplus to e requirement of the establishment *ith the exception* of termination of rvice for reasons specifically excluded nder section 2(oo).

As a measure to reduce the large number of pending cases in High Courts or the Supreme Court, the Council of Employers has suggested the revival of the labour appellate tribunal. This appellate body, by having jurisdiction over the decisions of the labour courts, tribunals and national industrial commissions functioning in different parts of the country, could ensure uniformity of labour practices and also discourage further litigations.

Ensuring Integrity

On the Trade Union (Amendment) Bill, the Council of Employers has little more to say than ensuring integrity of office-bearers of trade unions and preventing corruption among union leaders. For example, it suggests that a person should be disqualified from being chosen as a member of the executive or any other office-bearer of a registered union for a period of five years if he is found guilty of any unfair labour practices listed in the ID Act. Also, that no member should hold office in more than four registered trade unions. In the employers plan to help curb corruption among union leaders, interestingly, the law should provide that every office-bearer of a trade union should file a statement of his assets and liabilities every year on or before such date as may be prescribed with the Registrar and such statement should be open for inspection by an employee who is a member of that trade union.

Surprisingly, the employers fail to record that the Government has already assumed sweeping powers in relation to harmful activities by trade unions through the TU Act amendment. For instance, the amendment empowers the Government to take notice of even "apprehended" disputes within a union or between unions and refer them for adjudication by the Registrars of Trade Unions. By assuming such powers to interfere in the internal affairs of the unions, nothing really stops the Government from promoting unions under its political patronage. In addition, the proposed amendment seeks to empower the Registrar to verify the membership of any union and to cancel the registration of any union which "calls" or "participates in " an illegal strike. It also provides that an office-bearer or an executive member of a union who has been convicted of "any offence under the Industrial Disputes Act, 1947" before the commencement of the amendment shall automatically cease to hold his office, on the date of such commencement. Any further conviction under the ID Act will also disqualify a person from holding office in a union. All this may sound draconian, but what is the ability of the Government to enforce the increasing statutory restrictions in practice? After all, the labour administration of the Government already looks like a paper tiger. No worker thinks there is anything illegal about gheraos or wildcat strikes, whatever the law may say.

10 AUG 1982
C.F.T.R.I. MYSORE

On the Payment of Wages Act, the employers do not have much to comment except to reiterate their stand on go-slow tactics (mentioned earlier). In fact, the amendments are the least controversial. It seeks to extend the coverage of the Act to workmen drawing wages up to Rs 1,600 per month instead of the present limit of Rs 1,000. It also proposes to make the Act applicable to establishments other than industrial establishments. Other notable proposals in this amendment are to provide for payment of unpaid wages to the nominee of a worker in case of his death or such contingencies and to permit check-off of trade union dues or certain other contributions duly authorised by workmen.

With respect to the Hospital and Other institutions (Settlement of Disputes) Bill, the Council of Employers has some suggestions, notable among which is its proposal to recognise only one trade union in one establishment. An ideal situation, indeed, but hardly practical under the circumstances.

Shrouded in Confusion

The Bill, however, is shrouded in confusion. For instance, on the one hand Sec 28 of the Bill says that "nothing in this Act shall apply to any hospital or educational institution owned or managed (a) by Government or (b) by any organisation wholly or mainly engaged in any charitable, social or philanthropic service". On the other hand, Sec. 1(4)c spells out that the Act shall apply to "every institution engaged in any activity of the Government relatable to the sovereign functions of the Government including all the activities carried on by the departments of the Central Government dealing with defence research, atomic energy and space". What is the precise nature of the 'institution' covered above? The bill does not clarify.

A number of avenues still remain to be explored to contain the growing menace of labour disputes in the country. Why not, for instance, have secret ballot to determine the representative union in an establishment? Similarly, why not try a system of strike ballot to determine whether the proposed strike is favoured by a majority of the workers? After all, in most cases of prolonged strike, it is the silent majority of the workers who suffer the most.

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Engineering Goods Export Prospects

PITE EXPORTS of engineering products ng to come to expectations last year the worsening of international en- ment, the target for these exports for current financial year may be fixed nd Rs 1,400 crores. In terms of the of raising engineering goods exports fold to Rs 9,000 crores by the end ne current decade, this year's target be about Rs 50 crores lower, even ugh it will amount to exporting ap- ximately 25 per cent of production. reason for this is stated to be a short- of this order in the attainment of last 's target of Rs 1,150 crores due to lic sector enterprises recording less orts to the tune of Rs 62 crores from level expected of them, inadequate ilability of pig iron and certain cate- ies of steel, late announcement of the y drawback reimbursement scheme curbs placed by developed countries imports from India of such products as ustrial fasteners. Otherwise, attempts fostering engineering goods exports, it laimed, are being continued in the light he goal set for the Eighties.

Worsening Environment

nternational environment continues to rsen not only due to the protectionist asures being increasingly adopted by developed countries but also the re- sionary tendencies there leading to mping of goods by them and compelling em to provide wide concessions to sti- ulate sales abroad. Competition amongst developing countries too is accentuat- g with the emergence of China as a new mpetitor. The prolonged war between an and Iraq as well as the growing reign exchange difficulties of several frican countries are expected to have percussions on our exports necessitating versification not only productwise but so destination-wise.

Even then the Chairman of the Engi- eering Export Promotion Council feels at there is a good deal of enthusiasm nongst exporters of engineering pro- ucts. They are fully alive to the wide ade gap and the pressures on the balance payments situation owing to deterio- ating prospects of external assistance, oth multilateral and bilateral, particu- arly concessional assistance. The reces- onary tendencies in some engineering sectors, it is hoped, will induce Indian exporters to go in for aggressive salesmanship abroad.

Some unconventional steps are envisaged to be taken soon to bolster engineering goods exports. Indian auto ancillary equipment manufacturers will be holding an exhibition in West Germany in the later half of November to explore the possibilities of encouraging the use of these ancillaries as original equipment by the automotive industry in Western Europe.

Computerised Warehouses

In view of the low inventories kept by manufacturers abroad, it is proposed to set up a computerised warehouse-cum-service centre at Birmingham before November. Another idea that has been mooted is that the EXIM Bank should arrange export credit from foreign banks to assist Indian exports to some African countries. A technology fair is to be held in India soon to expose medium and small manufacturers to the technological developments taking place abroad.

A series of meetings have been planned with identified manufacturers of engineering products who are not at present fully exploiting their export potential. One such meeting was held in New Delhi last week with 12 concerns producing bicycles, scooters, trucks and buses, sugar mill machinery, machine tools, pressure vessels, boilers, heavy structurals and power transmission equipment, to study the difficulties they are experiencing in pushing up their exports to 10 to 30 per cent of their output. Thirty such manufacturers, who are already in the export line and are prominent producers, have been identified. A meeting with the rest of them is to be held in Bombay shortly. Another 30 manufacturers in the large-scale sector, who have only marginal exports too have been identified to impress upon them the need for going in for exports in an ambitious way. The cash compensation scheme is expected to be finalised soon. Announcements in this regard may start next week.

Some of the problems which have been brought to the notice of the EEPC as well as the Government by the 12 manufacturers who met in New Delhi last week include serious competition being encountered because of aggressive salesmanship by developed countries, grant of liberal concessions on exports by them, inadequate export financing and delays in grant of duty drawback, shipping difficulties and high prices of pig iron and steel. It has been pointed out that the reimbursement to exporters by the Steel Authority of India under the scheme of making available raw materials at International prices is inadequate because the basis for this reimbursement—the average price at the London and Japanese metal exchanges—is erroneous for the exporters abroad are able to get raw materials at prices 20 and 30 per cent lower than this average. A change in this basis, thus, has been suggested. It has also been pleaded that the cash compensatory scheme should be operative for five years as against three years at present, and adequate finance should be made available to exporting units. The need for adopting consortium approach in regard to undertaking of construction and joint venture jobs abroad has also been stressed; so also the imperativeness of a concerted political drive for improving the image and goodwill of the country amongst the developing nations.

Joint Bidding

Following the success achieved in efforts to inculcate interest among the EEC manufacturers and exporters for joint bidding with India in third countries and farming out of some jobs by them to Indian concerns, as a result of which contracts worth Rs 200 crores (India's share alone) are said to have been already secured, the EEPC is holding a meeting with Japanese concerns in Tokyo early next month to explore the possibilities of cooperation between Indian and Japanese manufacturers in tendering for projects in developing countries. particularly in South-East Asia, West Asia and Africa.

The response from Japanese concerns is stated to be highly satisfactory as 120 organisations from there have already agreed to send 173 delegates for a face-to-face dialogue with 109 Indian delegates from 88 firms. The conference aims at identifying the areas of industry in which Indian and Japanese manufacturers can team up, short-testing of geographical areas for such cooperation, identifying

Bharat Heavy Electricals Limited

(A fully owned Government of India Undertaking)
Regd. Office: Hindustan Times House 18-20 Kasturba Gandhi Marg New Delhi-110 001

BHEL FIXED DEPOSIT SCHEME (REVISED)

Deposits under the revised scheme effective from 1st April, 1982 are acceptable in cash/cheque/Bank Draft subject to the terms and conditions indicated in the application form:

I. CUMULATIVE DEPOSIT SCHEMES

A		B	
Minimum Amount of Deposit	**Amount repayable on maturity after three years**	**Minimum Amount payable of deposit**	**Amount repayable on maturity after three years**
Rs. 1,000	**Rs. 1,515**	**Rs. 10,00,000**	**Rs. 15,25,000**
For every additional Rs. 1,000 deposited Rs. 1,515 will be repaid on maturity.		For every additional Rs. 1,000 deposited Rs. 1,525 will be repaid on maturity.	

Yearly interest shall be calculated and compounded every year at the rate of 15% p.a. subject to adjustment of difference in amount at the time of maturity of deposit. The yearly interest will be subject to deduction of tax at source.

II. FIXED DEPOSIT SCHEME

Category	PERIOD & RATE OF SIMPLE INTEREST PER ANNUM		
	1 Year	2 Years	3 Years
Deposits from public	11.5%	12.5%	14%
Deposits from its employees, ex-employees, widows of the deceased employees of the Company and recognised Charitable Trusts	12%	13%	14.5%

Deposits are acceptable in multiples of Rs. 1000 with a minimum of Rs. 1000. Interest will be calculated on 30th September/31st March and will be paid half-yearly and on maturity. Where the amount of deposit is Rs. 1 lakh or more, interest will be paid for the period ending 30th June, 30th September, 31st December and 31st March. Interest will be paid through Interest Warrants cashable at par at all branches of the State Bank of India in the country.

Note: Deposits made on or after 1st April, 1982 to the date of this advertisement are also eligible for higher rate of interest as given above.

PARTICULARS AS PER THE COMPANIES (ACCEPTANCE OF DEPOSITS) RULES, 1975, AS AMENDED

a) Name of the Company : Bharat Heavy Electricals Limited.

b) Date of incorporation of the Company : 13th November, 1964

c) The business carried on by the Company with the details of branches and Units, if any:

The activities of Bharat Heavy Electricals Limited cover the engineering, development, manufacture, erection and commissioning of electricals, electronic and mechanical equipment for generation, transmission, distribution and utilisation of electrical energy. BHEL has also been playing an increasingly active role in furthering industrial growth with its wide range of industrial products.

The Company has its registered office and Corporate Office at New Delhi, and manufacturing divisions at Bhopal, Hardwar, Hyderabad, Bangalore, Tiruchirapalli and Jhansi. Besides, there are a number of Service Divisions located in different parts of the country.

d) Brief particulars of the Management of the Company: The Company is managed by the Managing Director and whole-time Directors under the supervision, direction and control of the Board of Directors.

e) Names and addresses and occupations of the Directors:

NAME	OCCUPATION & ADDRESS
Shri K.L. Puri	Chairman & Managing Director, Bharat Heavy Electricals Ltd., 18-20, Kasturba Gandhi Marg, New Delhi-110 001.
Shri N. Rajan	Additional Secretary & Financial Adviser (I), Ministry of Industry, Udyog Bhavan, New Delhi-110 001.
Shri M.C. Gupta	Joint Secretary, Ministry of Industry, (Department of Heavy Industry), Udyog Bhavan, New Delhi-110 001.
Brig. Y. Nirula	Chairman & Managing Director, Instrumentation Ltd., Kota (Rajasthan).
Shri A.K. Sah	Chairman & Managing Director, National Thermal Power Corporation, 62-69 NTPC Square, Nehru Place, New Delhi-110 019.
Shri R.N. Srivastava	Director (Personnel), Bharat Heavy Electricals Ltd., 18-20 Kasturba Gandhi Marg, New Delhi-110 001
Shri T.V. Balakrishnan	Director (R&D), Bharat Heavy Electricals Ltd., Research & Development, Vikas Nagar, Hyderabad-500 593
Shri B.S. Samat	Director (Thermal), Bharat Heavy Electricals Ltd., 18-20 Kasturba Gandhi Marg, New Delhi-110 001

f) Profits of the Company before and after making provision for tax for the three financial years immediately preceding the date of advertisement

(Rs. in crores)

	Year ended 31st March		
Profits	1979	1980	1981
Before tax	50.49	43.30	37.52
After tax	25.49	38.30	37.52

g) Dividends declared by the Company in respect of the said years:

	1979	1980	1981
Rate of dividend on paid-up capital	6%	6%	6%
Amount (Rs. in crores)	7.80	7.80	9.00

h) Summarised Financial position of the Company as in the two latest audited balance sheets:

(Rs. in crores)

	As at 31.3.81	As at 31.3.80		31.3.81	31.3.80
LIABILITIES			**ASSETS**		
Share Capital	150.00	130.00	Fixed Assets (net)	346.00	314.36
Reserves & Surplus	126.41	117.40	Investment	0.07	1.79
Secured loans	151.95	150.77	Current Assets	971.52	913.08
Unsecured loans	329.31	270.01	Loans & Advances	109.00	74.29
Current Liabilities & Provisions	668.92	635.34	Miscellaneous Expenditure	Nil	Nil
			Profit & Loss a/c	Nil	Nil
Total	1426.59	1303.52	Total	1426.59	1303.52

NOTE: Brief particulars of contingent liabilities:

(Rs. in crores)

	As at 31.3.81	As at 31.3.80
Claims against Company not acknowledged as Debts	40.86	17.24
Bills discounted with Banks	14.44	12.61
Guarantee to State Bank of Mysore for Cash Credit facilities to subsidiary companies	—	3.35
Total	55.30	33,20

i)	The amount which the Company can raise by way of deposits under the Companies (Acceptance of Deposits) Rules, 1975, as amended.	25% of the aggregate of the paid-up share capital and free reserves of the Company— Rs. 69.10 crores.
j)	Deposits held as on 31.3.1981 (Deposits held as on date Rs. 37 crores approximately)	Rs. 14.42 crores

k) The Company has no overdue deposits other than unclaimed deposits.

l) the Company hereby declares—

- i) That it has complied with the provisions of the Companies (Acceptance of Deposits) Rules, 1975, as amended;
- ii) That the compliance with these Rules does not imply that repayment of deposits is guaranteed by the Central Government; and
- iii) That the deposits accepted by the Company are unsecured and rank pari passu with other unsecured liabilities.

The text of the above advertisement has been approved by the Board of Directors at their meeting held on 8th April, 1982 and a copy thereof duly signed by a majority of the Directors on the Board of Directors of the Company as constituted at the time the Board approved the advertisement, has been delivered to the Registrar of Companies, Delhi & Haryana, for registration. This advertisement is issued on the authority and in the name of the Board of Directors of the Company

By Order of the Board of Directors
for BHARAT HEAVY ELECTRICALS LIMITED
M. NARAYANASWAMI
SECRETARY

New Delhi
Dated: April 19, 1982

Your investment and our success—They grow together

companies in Japan and India for tion in specific sectors of industry reas for thrust, and setting up an ement for a constant dialogue bet- he two sides. The Japan Machi- xport Association will be the nodal on the Japanese side and the EEPC Indian side for exchange of infor- . Tentatively, civil engineering and ction jobs, technical and consul- ervices, power generation and dis- on and supply of industrial plants chinery have been selected as the for Indo-Japanese cooperation in ndering and execution of works in ountries.

onference of commercial representa- of India in Africa and South-East nd a couple of West Asian coun- is also being arranged in Tokyo with the above Indo-Japanese meet vide them an exposure to the envi- thrust. Indian manufacturers will ng in for cooperation with Japanese acturers on equal footing; they will anging deferred payment facilities xport credit corresponding to their in the jobs to be undertaken.

oubled Times
r Tea

LIDE down in production of tea in outh is continuing during the current Weather conditions were very se during January-March and are bed as one of the worst experienced lgiris—Monsoon arrived rather late; rains were inadequate even till t early June. Thus in the first four hs, January to April 1982, tea crop in India has been estimated at 27.3 on kg registering a drop of around 11 on kg in the production on the cor- nding four months of 1981.

e decline in production is continuing e third year in succession. Produc- from the South account for about a h of the total all-India production. In production from tea plantations in South was 139 million kg against the dia production of 544 million kg. 80. Tea production from the South ped by 8 million kg to 131 million ontributed by a drop of 5 million kg erala and 3.6 million kg in Tamil u. In 1981 North Indian plantations stimated to have recorded an increase another 8 million kg but the pro- ion in South declined to a correspon- extent with the result, all-India production was estimated around 571 million kg in which the share of South India was only 122.6 million kg.

The productivity of the southern plantations is around 1750 kg per hectare. It is the highest in Tamil Nadu at around 2000 kg per hectare. In North India the average is around 1450 kg per hectare, and for the country as a whole it was 1511 kg per hectare.

S. Viswanathan writes from Madras

The tea boom of 1977 attracted lot of interest in tea which brought in a surge in investments. Tea plantations in South further helped by good weather conditions harvested a record 139 million kg in 1979. But since then the returns have dipped badly. The President of the United Planters Association of South India (one of the very well-organised associations of special interest founded in 1893), Mr M.G. Raghava Menon, described the conditions as depressing. "Profits have declined so badly that just two companies maintained or increased their dividend last year. In South India, the whole of Kerala is suffering a tremendous loss and in Tamil Nadu not many are working on a profit."

In a talk with a team of visiting journalists, Mr Menon said that around 70 per cent of the area under plantations in the South are held by corporate sector. In Tamil Nadu alone around 7.5 lakh workers are engaged in plantations. Among the causes for the depressing conditions are: availability of tea far in excess of demand (Mr Menon estimated this around 40 million kg), much higher levels of productivity and the consequent lower cost of production in several tea exporting countries and a high rate of taxes. Mr Menon also pointed to the incompatibility of the declining incomes with continually escalating wages and input costs.

The tea company is very much linked with its export earnings. India is the largest producer of tea in the world and accounted for a production of 572 million kg in 1980 which was a third of the estimated world production of 1973 million kg. China came next with 290 million kg, Sri Lanka, the third with 191 million kg and Kenya whose industry had developed in recent years produced 90 millon kg during that year.

Roughly half the production of the producing countries was exported. In 1980 world export amounted to 873 milliou kg. In 1980 India exported around 40 per cent of its production. A large and growing domestic market insulates India to some extent from the vagaries of international demand. In contrast Kenya, depends almost entirely on export markets (In 1980 Kenya's domestic production and exports were both at 90 million kg; Sri Lanka also produces almost entirely for exports (in 1980 Sri Lanka's exports of tea amounted to 185 million kg, against the domestic production of 191 million kg).

Yet tea is among the major foreign exchange earners for India. In 1981 an income of Rs 443 crores has been estimated to have been made from tea exports from a record export of 250 million kg accounting for a little over 5 per cent of total foreign exchange earned through exports.

In this exports from South India dropped by 5 million kg in contrast to a total increase in the volume of exports by 25 million kg from India. A matter for concern is the drop in realisation. The unit value of exports from India in 1981 fell by 63 paise per kg. In January there was a more precipitous fell.

The National Meet

A national level meeting on the tea industry organised by the Commerce Ministry in August 1981 recommended that industry should give priority to achieve the targets fixed for exports; to produce tea of better quality; to realise more remunerative prices; to plough-back more of earnings for improving production and for research and development; to increase production of tea in value added forms. The meeting also recommended a more stable tax policy and a substantial reduction in excise duty: a simplification of procedures for draw backs and suspension of sales tax on auctions of tea; a substantial reduction of agricultural income tax and other local taxes; more libral credit and special attention on small growers of tea.

UPASI'S Raghavan Menon said the implementation of these various recommendations has been slow and the relief provided so far has been inadequate. He referred to the abandonment of a 3000 acre tea estate in Kerala due to labour problems and other difficulties which made the occupation unremunerative. He felt that the cost of production in neighbouring Sri Lanka and elsewhere is so low that the price at which many of them offer tea for exports is lower than the input costs of Indian plantations.

When well-organised plantations are struggling to cope with the crisis, the plight of small growers could easily be imagined. Among the plantation crops, tea has the lowest concentration of small growers who account for a cultivated area of just about 3 per cent of total acreage under tea in the country; 95 per cent of the small growers of tea are in South India, Nilgiris District in Tamil Nadu accounting for 60 per cent of this and Kottayam and Iddukki districts in Kerala for 35 per cent. A small grower has been classified as one holding upto 8.09 hectares (20 acres).

The productivity of the small grower is just half that of the organised sector. In Tamil Nadu which has a concentration of these small growers there are over 15,000 of these. The average yield from the small holding is estimated between 800 kg and 1000 kg per hectare in Tamil Nadu compared to around 2000 kg on an average in the estate sector. The Tea Board and the UPASI have initiated a number of ways to improve the productivity and hence the income levels of the small growers. The range of assistance include advisory services, training programmes, demonstration plots, nurseries through which good planting material is made available at subsidised prices, crop diversification schemes and liberal credit facilities for rejuvenation and replanting. These measures, in operation for the last three years, seem to be having the desired effect of increasing the knowledge of the small grower and make him familiar with modern practices in tea cultivation.

Yet the price realisation continues to be unattractive. The small grower gets just Rs 2 per kg of green leaf (between Rs 8 and Rs 10 for made tea). This leaves him little margin for plough back. Unless his productivity increases and simultaneously there is also an increase in his realisation, he cannot be too enthusiastic about his future.

It is a pity that some three decades after planned development, several ups and downs should continue to persist in the fortunes of even a traditionally developed industry like tea.

Perspective Planning for Jute ?

R. J. Venkateswaran writes from Calcutta

ADDRESSING the annual general meeting of the Indian Jute Mills Association on July 11, Mr A.K. Dutt, Secretary (Textiles), Union Commerce Ministry, urged the industry to prepare a long-term perspective plan for its development. He said that the investment required should be properly assessed and that a detailed programme worked out for meeting the projected demand for jute goods both in the internal and overseas markets. Such a plan, no doubt, will be useful to the Government, the industry and others connected with it. But are the conditions today conducive to enable the industry to draw up a plan with confidence even for the next few months?

The speech of Mr Dutt and that of Mr Sivaraman, the outgoing Chairman of the IJMA, reveal that both the Government and the industry continue to have major differences on various aspects relating to its development. Mr Sivaraman suggested that there should be a minimum purchase of at least 50,000 bales of B Twills per month. He pointed out that "major ups and downs in the Government's offtake of sacking goods would have very adverse effects on the industry whereas streamlining such demand on a continuous and regular basis would be a positive step in stabilising the price structure and the health of the jute industry in India". But Mr Dutt did not agree with this proposal. He said that the demand for bags was seasonal and could not be accurately estimated in advance. He explained that steady purchase would mean that the procurement agencies would have to carry stocks which would add to their costs. There is, of course, some validity in Mr Dutt's argument. But then how does he expect the industry to draw up a long-term plan, covering a period of ten years or so, when the Government itself is unable to indicate its requirements of jute goods?

The Government's dilatory approach to the other problems of the jute industry also makes planning extremely difficult. For example, the scheme of cash compensatory support is valid only upto September 30, this year. Mr Sivaraman said that its continuance was "most essential even to retain the existing levels of export markets". He suggested that the rates should be made comprehensive to include the taxes and duties paid, excessive freight incidence, promotional expenses, high cost of labour and other factors. Whether the Government agrees to this plea or not, it should make up its mind without delay so that the industry can plan its export programme on this basis.

Some of the other remarks of Mr Sivaraman make one wonder whether there has been any planning at all in regard to the development of the jute industry. He referred to the "complete erosion of the economic stability of the industry" and said that "practically every unit has reached a stage of near
bankruptcy". He revealed that "the t
of jute mill machinery which is b
manufactured in the country to-day
only exact copies of the existing types
machines which were installed some
years ago". Further, he observed t
"today the concept of productivity
the year of productivity is totally la
ing in the jute industry". Mr Dutt s
that there was a feeling in the coun
that the "jute industrialists had
many eggs in so many baskets and t
did not have the real interest in
future of the industry". In these
cumstances, is it realistic to expect
industry to draw up a perspective p
for development?

Meanwhile, the Government of In
announced on July 14 the appointm
of a permanent steering committee h
ded by the Secretary, (Textiles) to revi
the problems of the jute industry a
suggest remedial measures. The co
mittee consists of the representatives
the various Union Ministries which
connected with the industry. The J
Commissioner is the member-secreta
The committee should maintain cl
liaison with the Government of W
Bengal so that the latter's reaction
be readily available to it especially
dealing with labour and related p
blems.

Distress in Durgapu

THE LEFT Front Government has claim
that in the last five years small industr
in West Bengal have made impress
progress in many directions and t
this has been possible because of
many concessions and incentives p
vided by it. But the sudden decision
close 150 units in Durgapur from J
12 seems to show that the climate
the growth of small industries is not
congenial as indicated by the Gove
ment. The President of the Durga
Small Industries Association, Mr Sub
Deb, said that these units had been
curring "huge losses because of the p
longed labour disturbances and unf
pricing policy of the large industrie
He revealed that the closure could h
been avoided or delayed but for the i
gal actions resorted to by the trade uni
controlled by the CITU. He alleged t
the workers had subjected the ent
preneurs to physical assault, gher
and other forms of violence. Mr D
explained that some entrepreneurs h
been gheraoed for 10 to 14 hours, duri
which period they were not allowed even
drink water. The CITU also had refus

sign the agreement for wage revision to ich it had consented earlier. The closure s affected about 3500 workers.

However, the CITU District Secretary, B. Chakraborty, denied that workers d forced the units to close because of eir violence or unreasonable demands. said that the CITU had always been ling to sign the agreement on revised ges but the owners had deliberately ated delay and difficulty in order to ttle the settlement and thereby emrass the Government. It may be that th the Small Industries Association and CITU are exaggerating their case. u the fact that as many as 150 units ve decided on closure seems to show at working conditions had become tremely uncertain and unsafe. It is gnificant that in recent weeks the Chief inister, Mr Jyoti Basu, had been warng workers in West Bengal against rerting to violence and other forms of essure tactics to settle their demands. ut apparently his appeal has produced tle effect.

Mr Basu said in Calcutta on July 14 at he had met the representatives of nall scale units about two years ago hen they had told him about the shortage raw materials, marketing difficulties, on-payment of their dues by big indusial units and the latter's reluctance to lace orders with them. He observed at the small units continued to face ese problems. He would therefore again eet their representatives some time in ugust and later hold discussions with e Chambers of Commerce.

Small Industry's Grievances

Meanwhile, the Industries Department f the State Government should find out hat exactly has been the nature of the rievances of the industrial units of urgapur relating to the unfair pricing olicy adopted by the large units. The epartment must have received several omplaints in this regard and it will be orthwhile to know what action has een taken on them. It is interesting to ote that neither the President of the mall Industries Association of Durgaur nor the Chief Minister mentioned ower shortage as one of the major causes or the present crisis of the small units. Are the large units unwilling to place rders on the small ones because they re not sure that the latter can deliver he goods on time due to the scarcity of ower? Is the recessionary situation faced y many large units responsible for their nability to step up their purchases from the small industries and also to make prompt payments?

The leading industrial associations in West Bengal should also enlighten the Government and the public about the problems faced by their constituents in dealing with the small industries. The Association of Indian Engineering Industry, for example, can throw some light on the real causes which have led to the closure of a large number of small units in Durgapur. The forthcoming discussions between the Chief Minister and the representatives of the small and the large industries will produce some useful results only if they come fully prepared with facts and figures as well as constructive suggestions to improve the climate for industrial development.

Banking Growth

OVERWHELMING EMPHASIS is to be placed on tapping rural savings. The revised commercial bank branch licensing policy for the three years to 1984-85 aims at ensuring that bank branches are well spread out in rural areas and that no pockets of un-banked areas are left even in districts which may be relatively well-banked on an aggregate population basis. Opening of offices in districts other than unbanked centres is to be allowed to a limited extent, keeping in view the growth in economic activity, need for banking facilities in the area and special features warranting establishment of additional bank offices. Hilly and tribal areas, which are sparcely pupulated, are to be given special consideration.

Consequently, coverage of a bank office in rural and semi-urban areas is expected to be brought down to 17,000 persons at the end of March, 1985, from 18,000 persons in March this year and 19,000 persons in June last year. This average was as high as 65,000 persons before the nationalisation of an overwhelming proportion of the banking industry in July, 1969. The number of bank offices, indeed, has grown very fast since June, 1969. By the end of March this year, this number had grown to 38,614 from just 8,262 before nationalisation. As a deliberate policy, expansion of offices has been mostly in the rural and semi-urban areas. Offices in rural areas numbered at the end of March this year 19,942, as against just 1,832 in June 30, 1969. Their proportion in the total banking network, thus, has gone up to 51.6 per cent from 22.1 per cent. The number of offices in semi-urban areas has grown from 3,322 to 8,721. Their share in the net work, of course, has declined from 42.2 per cent to 22.6 per cent. The growth of offices in urban and metropolitan/port towns has been comparatively less—from 3,108 to 9,951. Whereas these offices accounted for 37.7 per cent of the total commercial bank branches in June, 1969, their share in March, 1982, was around 25.8 per cent. As many as 2,918 bank offices were opened during the nine months to March-end this year.

The States of Andhra Pradesh, Nagaland, Maharashtra, Tamilnadu, Haryana, Gujarat, Karnataka, Jammu and Kashmir, Himachal Pradesh, Kerala and Punjab

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and the union territories of Delhi, Chandigarh, Goa, Daman and Diu, Lakshadweep, Pondicherry, Andaman and Nicobar Islands and Dadra and Nagar Haveli had on March 31, 1982, population per bank offices equal to or less than the national average. The coverage per office was higher than the national average in Meghalaya, Rajasthan, Madhya Pradesh, Orissa, West Bengal, Tripura, Uttar Pradesh, Bihar, Manipur, Assam, Sikkim, Arunacnal Pradesh and Mizorem.

As a result of the concerted efforts made to extend banking facilities to the countryside, the sectoral deployment of credit has undergone a substantial change in the recent years. At the end of December last, of the total credit around Rs 28,796 crores, the non-food sector accounted for borrowings to the tune of Rs 26,490 crores, of which priority sectors (agriculture, small scale industry, etc.) accounted for Rs 10,412 crores). The non-food sectors had been provided credit to the tune of Rs 17,967 crores in December, 1979, of which the share of priority sectors was Rs 6,485. The growth in credit availability to industry (medium aud large-scale) and wholesale trade has been much slower. Credit to industry was stepped up during this period from Rs 7,727 crores to Rs 10,958 crores and to the wholesale trade from Rs 1,640 crores to Rs 2,163 crores. The growth in credit to the industry sector in 1981 was even at a lower rate than in the previous year. The share of priority sectors in the total bank credit improved to 37.1 per cent in 1981 from 35 per cent in the previous year. The total deposits of commercial banks as on the last Friday of 1982 stood at 43,750 crores, as against Rs 37,988 crores a year earlier and just Rs 4,646 crores in June, 1969.

Capital Market Blues

T.T. Vijayaraghavan writes from Bombay

THE RECENT convulsions in the Bombay Stock Exchange and especially the bear raids have caused genuine concern among investors. Mr Kantikumar Podar, President of the Indian Merchants' Chamber, voiced this feeling when he pointed out that "bear operators have imposed (on the share market) an unhealthy trend leading to a heavy slump in quotations of several well-known scrips." He apprehended that any further deterioration in share prices would lead to a setback in the flow of funds from the non-resident Indians practically nullifying the Governmet's efforts to attract such funds in a big way to meet the corporate sector's needs as also to help improve the balance of payments position. To bolster the investment climate it is felt, suitable measures by way of adequate controls and regulations are called for. These should be taken preferably by an independent statutory authority or agency which would put down speculation and cornering activities.

The spokesmen of financial institutions have been often emphasising the need for well-established companies raising more capital directly from the market on the basis of their good credit rating in the market. This would not only help in building up a healthy and vibrant capital market but relieve the financial institutions of the pressure of resource constraint faced by them. But if there is going to be periodic instability in the share markets, potential investors, it is pointed out, are bound to be scared away. This would be very unfortunate since there has been a substantial improvement in the investment climate in the last eighteen months.

Drawing attention to this at a seminar in Bombay on "Capital Market and the Stock Exchanges" Mr N.N. Pai, Chairman of IDBI, pointed out that 1981-82 was widely regarded as having ushered in a boom in the capital market. "The amount of fresh capital raised in the capital market during 1981-82, he said, is placed at over Rs 500 crores as compared with about Rs 138 crores in 1980-81 and less than Rs 100 crores per annum on an average during the preceding decade. Looking at these figures one is tempted to conclude that the year 1981-82 is a major landmark in the history of Indian capital market." He however, hastened to add that in his view the full potential for the capital market had not yet been exploited. During 1981-82 only about 2.6 per cent of the aggregate savings of the household sector were estimated to have been invested in industrial securities.

Mr Pai felt that for activising the capital market some rethinking was called for in some policy areas. One pertained to the return on equity. The return on equity which is dependent on the residual income left after providing from interest, corporate taxation etc, has remained almost stagnant during the last two decades. Fiscal and monetary polices should be so adjusted as to ensure a minimum desirable rate of return on equity commensurate with the ruling interest rat structure. Second, it is necessary formulate a flexible indirect taxati policy which adjusts indirect tax levels changes in demand supply conditions such a way that sale prices net of exci duties are adequately remunerativ Third, there is need for a realistic pri and distribution policy. The recent introduced dual price for cement is a st in the right direction. It is expected generate an additional Rs 130 crores f the Government in terms of excise duti and also substantial retained profits to t industry. This policy should percolate all other sectors wherever they are four to be inhibiting growth of industry an thereby preventing the industry in mob lising resources from the market.

Over-the-Counter Market

Mr Pai suggested that for widenin and deepening our capital market and fo popularising investment in industrial secu rities among a wide class of even midd income investors, we need to have stoc exchanges in all cities, at least those wit a population of more than 5 lakhs. Fo serving effectively investors located i other big towns and prosperous incom pockets especially in the rich agricultur belts, there is need for developing an alte native form of market on the pattern Over-The-Counter (OTC) Market as it operating in the Unites States. The OT market arrangement makes it possible have dealers in securities in towns an cities which are not necessarily covered stock exchanges.

While all this may be desirable, it doubtful whether the upsurge in 1981- mentioned by Mr Pai can be maintaine According to the Centre for Monitori Indian Economy, this is not possible f the following three reasons. (1) A goo part of the floating stock of the liqu funds (including some black money) h been already sucked up in the capital ma ket in 1981-82 and in the Bearer Bonds the Government. Hence the inflow in the capital market in the next two yea would reflect mainly the normal flow savings in this direction. (2) The Centr Government with a view to raising mo resources may be expected to make heavy draft even on the normal savings issuing a series of attractive securities lik the capital Investment bonds. (3) As result of widespread financial stringen some of the savings may be directed or d verted in other directions. As a consequen the CMIE feels the funds raised from t capital market in the next two yeare, 198 83 and 1983-84 may be of the order Rs 330 crores to Rs 400 crores respect vely—lower than the great high of Rs 5 crores of 1981-82.

Rebuilding America's Infrastructure

ECADE of neglect has left the USA's astructure—its roads, bridges, tun- -, water systems, public transport— serious disrepair. Engineers estimate t the interstate highway system, ch handles half of the nation's road ffic, is deteriorating at the rate of 00 miles per year—closing down lanes many sections. Nearly half of the ,000 bridges in the US are inadequate structurally deficient. New York's nsit system is barely able to function. uston faces mammoth traffic snarls; ne of its waste-treatment facilities are ained. Many areas of the Sunbelt face jor problems of water supply. Sewer es in many Midwest areas hinder in- strial and residential growth.

Crumbling facilities are beginning to e a toll. Increasingly, people across country are experiencing service dis- otions, congestion and delays. The ult is reduced efficiency, stunted pro- ctivity, and rising costs. Indeed, the ay of public facilities is beginning to dermine the private sector, is starting raise a barrier to economic growth, d is threatening US competitiveness the export market. Most European tions and Japan, in contrast, have intained high levels of infrastructure estment. France, for example, has proved its rail roadbeds to handle a train that can speed 250 miles per hour between Paris and Lyon. Fortunately, US officials are increasingly aware of the size and complexity of the problem—a vital first step in marshalling public support for a rebuilding programme.

Deterioration of public facilities is the result of a dramatic cutback in capital spending by States and localities—both on new projects and on repair and maintenance of aging facilities. During the 1950s and most of the 1960s, State and local non-residential investment (in constant 1972 dollars) grew at a brisk rate to a peak of $22 billion in the late 1960s. Such outlays more than kept up with the growing population. But a subsequent decline had by the end of the 1970s reduced public-facility outlays to a fraction of their earlier spending pace.

Some of this cutback reflected completion of the interstate highway system and reduced needs for educational facilities following a decline in the growth of the school-age population during the late 1960s and early 1970s. Even when these factors are taken into account, however, the growth of public spending showed a sizable decline during most of the 1970s. spending on State and local structures—adjusted to account for slowing in the growth of spending on highways and schools during the Seventies—rose at an average annual rate of 2.4 per cent between 1950 and 1980. In the past two years, however, such outlays rose at a mere 0.7 per cent rate, below the growth rate of the population. During this period, investment in public facilities has sagged a cumulative $25 billion (in constant 1970 dollars) below what it would have been if the adjusted growth trend had been maintained. If this pattern continues, the constant-dollar "gap" in spending for public facilities will widen to $182 billion by 1985. The long-run growth rate of 2.4 per cent used to derive the gap is conservative by historical standards. For example, during the 1925-40 period spending on public facilities rose at an average annual rate of 4.3 per cent—slightly higher than the 1950-80 growth rate of 3.8 per cent (unadjusted for the slowdown in spending on highways and schools in the seventies).

Japan's Gross National Product

Japan's Gross National Product grew by 2.7 *per cent in real terms in the fiscal year ended March* 31, 1982, *to* 196.2 *trillion yen according to the Economic Planning Agency. The growth rate was considerably below the* 4.1 *per cent rate that had been targeted by the Government and was the lowest since* 1974, *when Japan's GNP contracted as a result of the sharp increase in oil prices. The growth rate during the latest fiscal year reflected very small increase in consumer expenditures and capital outlays as well as depressed conditions in the residential construction sector. On the other hand, exports grew by* 16 *per cent in the fiscal year ended March* 31, 1982, *only slightly below the* 16.6 *per cent growth rate registered in the previous fiscal year. The Government notes that, despite the relatively poor economic performance for the latest fiscal year as a whole the economy showed signs of recovery in the final quarter, with real GNP growing by* 0.8 *per cent during the period, compared with a contraction of* 0.7 *per cent in the previous quarter.*

Mechatronics Sweeps Japan

A REVOLUTION is sweeping Japan; its slogan is "Mechatronics", a new English word created by joining the terms "mechanics" and "electronics".

After the first oil shock in 1973, the growth rate of the Japanese economy fell to an annual rate of about five per cent, only half of what it was before. But production of mechatronic machinery has increased at a far faster rate.

For instance, 19,900 industrial robots were produced in 1980, a 37.2 per cent increase compared to the previous year. In money terms that meant an 84.9 per cent increase to Y78.4 billion ($348 million—figured at an exchange rate of $1=Y225, the approximate average for 1980). Production of NC machine tools (including MC) in 1980 reached 340 billion yen, up 65 per cent from the year before, to a figure almost equal to the value of non-NC tools produced the same year. As for CAD systems, a survey conducted the by *Nihon Keizai Shimbun*, Japan's leading economic daily, revealed that the Japanese market for 1981 totaled Y32.8 billion, 48.6 per cent higher than the previous year. Some observers believe, moreover, that some 200 of the 500 units currently in use in Japan were introduced within this one year A substantial number of these systems were, however, imported from foreign countries.

The development of mechatronics in Japan has been remarkably rapid. According to *TIME* magazine, the numbers of playback robots possessed by various countries in 1979 were as follows: 10,000 in Japan; 3,000 in the USA; 850 in West Germany; 600 in Sweden; 500 in Italy; 360 in Poland; 200 in France; 200 in Norway; 115 in England; and 25 in the Soviet Union. As these figures show, Japan holds an overwhelming lead.

Top Position

It is the same story in the area of NC machine tools as well. According to a survey conducted by *American Machinist*, a technical magazine published in the United States, the total value of machine tools produced in Japan in 1980 was 3,817 billion dollars, making Japan No 3 in the world, following the United States (4.82 billion), and West Germany (4.692 billion). In Japan, however, NC machine tools accounted for 49.8 per cent of total production of all machine tools, in contrast to around 20 per cent in Europe and 30 per cent in the USA. Japan, in other words, was No 1 in production of these tools.

At present, American manufacturers dominate the Japanese market for CAD systems. But now that such Japanese manufacturers as Mitsui Engineering & Shipbuilding Company, Nippon Electric Company, and Uchido Yoko Company have made it clear that they intend to enter this field, it is probable that Japan will eventually become a world power in this area too.

What is especially remarkable in the case of Japan is that numerous small-to-medium-sized firms have joined the larger corporations in introducing industrial robots, NC machine tools, CAD systems, etc, into their production lines.

For instance, a leading automaker was first in Japan to make full-scale use of industrial robots for spot welding.

That was about 10 years ago. In recent years, a variety of inexpensive robots for use in small-to-medium-sized enterprises have appeared. In the case of arc welding robots, 80 per cent are intended for smaller firms. The automobile industry used to be the chief user of coating robots, but now small-to-medium-sized machinery and electrical manufacturing companies have begun to adopt them as well. And handling robots, often used to move work to and from NC machine tools, are starting to infiltrate small and medium-sized companies.

When we look at the propagation rates of different types of mechatronic equipment, we find that NC machine tools have already passed their peak. From now on, the focus of attention will shift to industrial robots and CAD systems. Industrial robots, in particular, have shown incredible growth in just the last five to ten years, so their future impact on Japanese industry is sure to be even greater than originally expected. In *Nikkei Mechanical's* fall 1981 survey, 61.1 per cent of the 681 plants queried replied that installing robots improves productivity, and 71.7 per cent said that they want to install robots in the future.

In European countries, the introduction of industrial robots has been opposed by labour unions which fear increases in unemployment. In Japan, however, workers as well as managers tend to favour their introduction. There are two main reasons for this phenomenon:

1. At the present stage, with only 20,000 industrial robots in use, robots have not yet become a serious threat to a labour force for which demand is increasing at a rate of 600,000 jobs per year.

2. The basic principle of life-long employment, to which major Japanese firms adhere, facilitates shifting employees from one job to another within the same company.

Brazil Registers Trade Surplus

Brazil registered a trade surplus of $ 223 *million in the first five months of* 1982 *compared with a deficit of* $464 *million in the corresponding period of* 1981 *and with a targeted surplus of about* $ 3 *million for* 1982 *as a whole, according to official data. The improvement in Brazil's trade position reflected a substantial decline in the value of imports that more than offset a decline in the value of exports According to the Government, the export decline was primarily due to lower prices for exports of commodities and some manufactures, increased protectionism in Brazilian export makets, production shortages, and recessionary trends in some of Brazil's most important export markets. The data show that the value of total exports was* 7.3 *per cent lower in January-May* 1982 *than in the corresponding period of* 1981 *and amounted to* $ 8.3 *billion. The export decline reflected a reduction of* 8.2 *per cent in the value of noncoffee exports, to* $7.4 *billion, that more than offset an increase of* 0.4 *per cent in the value of coffee exports, to* $867 *million. The export decline was exceeded by a* 14.3 *per cent reduction in the value of imports to* $ 8.1 *billion, reflecting declines of* 18.5 *per cent in the value of nonpetroleum import, to* $ 4.1 *billion, and* 9.6 *per cent in the value of petroleum imports, to* $4.0 *billion*

New Oil Recovery Polymer

GOODYEAR HAS discovered that oil ar
its chemical business mix well, placir
the company on the verge of a new ve
ture. The results of oil well injectio
tests and laboratory experiments ind
cate that a Goodyear latex-like materi
will be effective for pushing trapped o
out of old wells.

Geologists estimate that as much as 7
per cent of the petroleum in large nun
bers of oil wells remains trapped in roc
formations, inaccessible to tradition
recovery techniques. Officials of Goo
year's Chemical Division say that fir
phase testing of its Wingflood HT 3
enhanced oil recovery polymer has bee
"extremely positive" in a midweste
oilfield, demonstrating that the polym
will withstand the rigours of pressurise
injection into many types of oil wells.

Goodyear's injection testing, conduc
ed by Exoil Services of Golden, Col
rado, a firm specialising in oilfield dev
lopment, testing and related services, co
cludes that the material pumps and i
jects into wells easily and without "fac
plugging," an industry term describi
the clogging of tiny, oil-bearing pore
Other lab tests also show the materi
will stand up under high-temperatur
often found in deep oil wells.

The new Goodyear chemical is a wat
soluble acrylic polymer.

Electronics Industry

Wasted Opportunities

VER we have mucked up our pros- s in a boom industry, it is in tronics. This may sound a sweeping ement to make about a sector which experienced very rapid growth in nt years. But the fact is that this wth is far lower than the real poten- ; the cost of production has been high the quality of output low; the huge ort field has been seriously neglec- the technological gap between India the rest of the world is widening day lay; and the mindless obsession with ufacturing computer hardware has ied prospects for software, which is ar more promising field.

n the face of it, we have all the ad- tages needed for a great electronics ıstry. We have a cheap but skilled our force, plenty of entrepreneurial nt, a wide manufacturing base and nestic market, a formidable array of nical expertise, and the back-up port of a modern industrial eco- ny. And yet we are nowhere in the rnational scene. Electronic exports ounted to just 20 million dollars in 0-81, against South Korea's 2000 ion dollars. Despite our cheap labour, cannot make a radio for much less 1 Rs 50. In other countries, cheap ios are exported at a f.o.b. price of Rs 20. Our TV sets cost two to three es as much as foreign ones. So do computers and calculators, and all consumer electronics. Part of the son is the high level of duties. But a re important reason is the lack of nomies of scale.

Ve have kept emphasising the undoub- employment potential of electronics. this unfortunately has led to unwar- ted emphasis on small-scale pro- tion, ignoring the economies of large e output. There are no doubt several s which are best left to small units. many components need to be mass duced by giant factories. Small units l to use cheap but obsolete technology, pay insufficient attention to quality. we want electronics to flourish, we t abolish the reservation of items for ll-scale units (several will thrive even hout reservation). Duties on imports of capital equipment and component have been slashed in recent years, which is most welcome. New technology can also be imported more freely. But this is not enough.

We need to have giant electronic firms, not just small-scale ones. Only giant firms can undertake the research and development that is necessary to keep pace with the rest of the world. The R and D done by ECIL or laboratories is simply not enough, and does not focus at all on production technology.

Bureaucratic delays in clearing schemes are notorious and scandalous. Technologies tend to become obsolete with five years in this field. If it takes the Government eighteen months to make up its mind about a project and then another three years to set up a plant, it is in fact ensuring that we are a cemetery of outdated know-how. And once plants are set up, every manufacturer wants protection against superior products—there is no tradition at all of scrapping equipment after five years and going on to a superior technology—every company wants to make easy money out of existing equipment, however obsolete.

Just look at our radios and TV sets. Their quality is abysmal compared to that of even Taiwan and South Korea, leave alone Japan or Holland. The resolution of our black and white TV sets is inferior to that of foreign colour TV sets, though technically it is far easier to get higher resolution in black and white. There are companies like Weston which export in order to get import entitlements which in turn they use to improve range and quality, and hence exports again. This kind of company has done best in the electonics field. Neither the many State enterprises nor small-scale units have a better record.

The pace of change in electronics is blinding. This is true not just of consumer electronics, but even more so of computers and microchips. The standard 16-k chip has been overtaken by 64-k chip, which is about to be swamped by the 256-k chip which in turn will soon be eclipsed by the 1000-k chip—all this within a span of five to six years. But the pace of our Department of Electronics is a crawl. With this kind of climate, we must simply abandon thoughts of becoming a large scale manufacturer of completely indigenous computers. It makes much more sense to use our ample brain power to put together cheap, imported components to make first-class systems, rather than use domestic, obsolete components to produce third-rate systems.

Our brain-power is even more relevant for computer software. This is the fastest expanding department, and one in which there is now a serious labour shortage in the industrialised countries. India has a huge pool of high quality brain-power than can be harnessed for writing software. It needs to be emphasised that this is a multi-billion dollar market, and India could meet up to half its crude import bill by exporting software. But our computer men must first of all become familiar with the latest hardware so that they can write software for it. And our present policy aims at manufacturing computers ourselves rather than importing the latest and the best. Hence our software men are hamstrung for want of experience. If only we realised that our real strength is in software, not hardware, we could reap billions.

The Sixth Plan aims at a compound growth rate of 21 per cent per year in electronic output. It needs to be even faster. As the Sondhi Committee has observed, this is an industry with a very favourable capital-output ratio and capital-labour ratio. Every one crore rupees invested can give employment to 312 persons, against 246 persons in the electrical industry and just 33 in petrochemicals. But our policies favouring small-scale production have led in practice to ridiculously high capital-output ratios of 2 to 1 in the component sector, and the obsession with computer hardware has robbed us of jobs and foreign exchange in software. Electronics provides us with great opportunities but we are missing many of them.

Swaminathan S. Aiyar

Power in steps

Steps in the cosmic cycle of creation—the Dance of Nataraja. And now BHEL steps in with power equipment—to effectively harness sources of energy.

Beginning a quarter century ago, we are now among the leaders. With a technological competence that is proven. In products, systems and services, in India and the world. Selling to about 40 countries the world over and providing equipment for generation, transmission and utilization of power.

Our successes include a turnkey thermal power station in Libya, an electrification project in Saudi Arabia, boilers for 80% of Malaysia's thermal generating capacity, hydroelectric equipment for New Zealand, Thailand and Nepal. And now, we are providing consultancy services for setting up heavy electrical equipment plants in Turkey.

BHEL is a name that is trusted the world over. With manpower that matches the power we pack—70,000 including 13,500 engineers and trained technicians. And BHEL has supplied over 23,000 MW worth of power equipment already.

BHEL's R&D complex is at work on a wide range of development projects. Introducing latest trends in technology and working jointly with leading companies in USA, West Germany and U.K., BHEL looks forward to an expanding role in the service of energy and power the world over.

BHEL

Bharat Heavy Electricals Limited

Registered Office
18-20 Kasturba Gandhi Marg
New Delhi-110 001

ASP/BHEL/63

Considerable Potential for Electronics

RID of the bureaucracy and India
ecome a force and a threat to be
ed with internationally in elec-
applications." says a senior
an computer executive.

problem stems from India's 30-
ld determination to be self-suffi-
economically and industrially. The
barriers which in the past
nabled traditional industries to be
ped, have had the reverse effect in
lectronics industry. They have
d the easy and countinuous flow
chnology, finance and products
are essential in such a rapidly
ping business.

ile political attention has been
d on high technology industries of
l national importance like defence,
and nuclear power—and most
ly, telecommunications—other parts
tronics have become India's most
developed industry. The country
t even started in the race to supply
onics more commercially, while
ouring countries like Singapore,
Kong, Taiwan and South Korea
won valuable prizes.

re is, of course, no massive home
t in India for sophisticated con-
and entertainment electronic pro-
The annual report of the Electro-
Department for 1981 shows that as
as 76 per cent of the £144 million
460m) total production of consumer
onics during the year was unso-
cated radios and black and white
sions.

Production of Equipment

e total production of electronics
ment and components during the
was £504 million (Rs 8,560m) includ-
n addition to consumer goods, £111
n (Rs 1,885m) for computer control
umentation; £102 million (Rs 1,730m)
lectronic components; £92 million
,540m) for communications and broad-
ng equipment £40 million (Rs 690m)
erospace and defence electronic equip-
, and a tiny output of £15 million
255m) from SEEPZ, the customs-free
ronics zone set up in Bombay in 1974
oost the industry.

ese are not figures on which major
national industries are built, but
could be much larger because there
is a home demand that is not being met in the field of communications and industrial electronics.

For example commerce and industry—ranging from power generation to the running of the railways or the functioning of the banks—needs modernisation.

No one in India seems interested in the notion of opportunity costs, that is the cost of not generating power efficiently, or not running railways on time, or letting other parts of the infrastructure foul up, says one frustrated computer executive.

Another side to the problem is that Indian companies spend little in research and development on their own products, having traditionally relied heavily on foreign licences.

The Industry Ministry estimates that overall as little as 0.2 to 0.4 per cent of company turnover is spent on research—and that is dominated by a few major private sector businesses like the Tata group and Hindustan Lever, plus high technology public sector companies.

Problems Compounded

India's foreign ownership rules, combined with tight import restrictions, high import restrictions, high import costs (duties range up to well over 100 per cent) and a sluggish home market, have scared multi-national electronic companies away. The consequential lack of activity in the country has compounded the problem. The Department of Electronics' refusal to let customers choose what to buy has further slowed down flows of orders in an industry where technology often has a short shelf life.

"Our policy of self-reliance, coupled with the prohibitively high—for us—price of technology licences, has meant we have continually had to invent the wheel ourselves," says a senior computer executive. "An open-door policy on licence and inventors would change things."

India's international image was also hit by IBM leaving the country in 1977-78 after rows over foreign ownership regulations, amid allegations that it had been dumping old technology on India and charging excessively high prices.

There are, of course, Government-owned electronics companies such as Bharat Electronics at Bangalore, which is a profitable 30.year-old business with a £70 million turnover, 80 per cent of which is radar and wireless and other equipment for the Government.

Then there are newer corporations being set up by individual States—Maharashtra for example has created Meltron in Bombay which, experimenting in joint public private financing ventures, makes semi conductors, private telephone exchanges, and tape recorders. It has applied for a Government licence to make 75,000 Thorn-EMI colour television sets in the next five years.

Small Companies

Private sector companies tend to be small. ICIM of Poona, which is 40 per cent owned by ICL of the UK has only 460 manufacturing employees and has turned out 100 of ICL's 2904 systems in the past five years. Yet with Electronic Corporation of India, it is said by the Electronics Department to be the major producer of mini and midi-computer systems in the country. (It will shortly be producing a version of ICL's System 25 mini-computer.)

Another partially foreign owned company—Tata Burroughs, manufactures a dotmatix printer in SEEPZ which Burroughs used to make in Scotland and, briefly, in Brazil. Costs are said to be a third of those in Scotland but the product made for export only is running at half its 25000 unit annual capacity and its future is now in doubt.

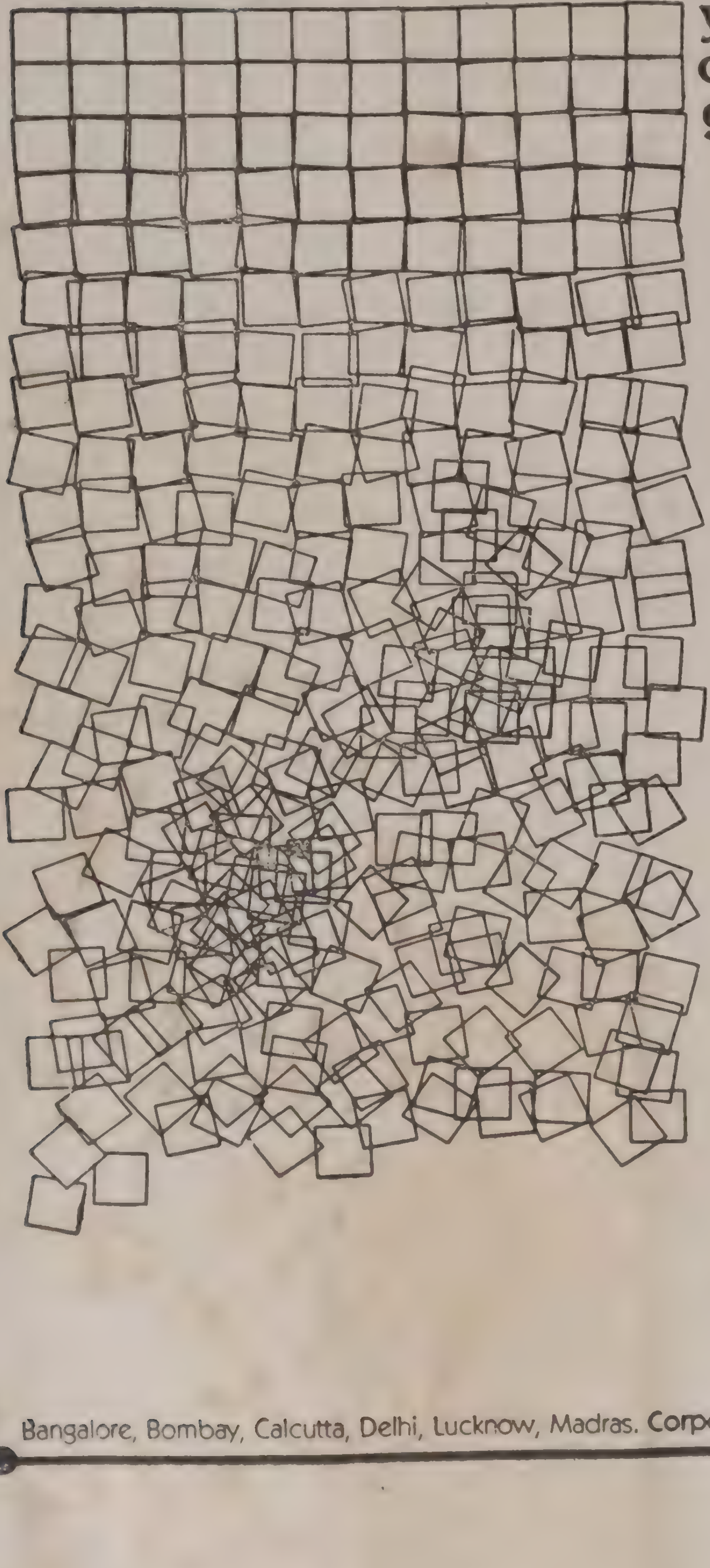
The view is growing that India should not try to go into the business of computer peripherals mass production, nor should it attempt to move into large scale production and peckaging of microchips which require massive financial investment and easy trading arrangements. But it should be moving into the applications market which could fit-in the Government's wish to give preference to small and medium sized businesses.

Its software writing is expanding rapidly. Tata Burroughs of Bombay, for example, has been expanding its soft ware business at 80 per cent a year

UPTRON

quality:

Because in the electronics industry yesterday's truth could be today's garbage.



The high obsolescence factor, inferior design and frequent technological breakthroughs combine to out-date electronic products even while they are 'new'.

At Uptron, great care is taken to design products that will respond to a consumer's present and future needs.

Each product exerts its own challenges. Continuous R & D provides solutions based on superior technology which give products performance levels that are relevant for years.

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Bangalore, Bombay, Calcutta, Delhi, Lucknow, Madras. **Corporate Office:** 10, Ashok Marg, Lucknow 226 001

ULKA-UIL-1281/3

ce it was set up in 1978. In 1981, turnover was £2.6 million (Rs 45m).

ystime, a subsidiary of a UK com- er business located in SEEPZ, finds it undercut UK software prices by ne 30 per cent with cheaper Indian aries, but increased communication ts, are both taken into account.

Vhile a country like Britain is short of some 20,000 to 30,000 computer experts, India has a surplus of well-educated, mathematically astute graduates. "You can advertise for 10 people and take your pick from 1,000 graduates, 700 of whom are engineers, says Mr Ramesh K. Verma, head of Systime in India.

All experts agree that Indians are specially suited to software work although the lack of sophisticated hardware in India means that most employees are only capable of writing programmes, not designing packages. The ambition of some companies—there are a total of 20 in the field at present—is to develop more local expertise.

Source : *Financial Times*

Colour TV : A Speculative Bubble?

Someshwar Dayal Singh

DEMAND projections get successively ised and technical modalities are being ashed out in a desperate bid to have our television before the ninth Asiad, me crucial questions remain unanswer- Who, for instance, is going to buy se sets? It is very unlikely that the our TV market is going to tap absolu- y new buyers as most people who can ord to buy are already in possession black and white sets. The colour , therefore, will largely be an additional . Are people willing to pay Rs 7,500 a second set? After all, witness the ecarious demand situation in a wide nge of expensive consumer durables— -conditioners, refrigerators, automo- es and black and white TV itself. Will lour TV join the list?

Moreover, what kind of programme ll these sets provide and for what length time? And how long will it take to ovide a micro-wave link-up of all the transmission centres in India for simul- neous live telecast? Focus on the ture of the programmes has not shifted yond the Asiad as yet. Even during e games, only one single channel can operated on the colour TV as Delhi s just one transmitting centre. This eans that at a particular point of time u can watch only that event which oordarshan decides for you. Little oice, indeed.

About eight centres, to start with, are to ve micro-wave links before November , 1982(a historical interlude when plans e actually materialising, though at what st is another issue). Besides Delhi, ese centres include Mussoorie, Bombay, ne, Bangalore, Madras, Jullunder, and lcutta. The remaining centres will be nnected after the Asiad, 'little by little' an official source points out. For the SAT as an alternative to the micro- ave telecast, estimates of its transmission ower vary from one and a half hours to four hours at most (two hours in the morning and two in the evening).

Recent developments on the price front were unexpected. As people kept their fingers crossed—certain that a colour TV would cost well over Rs 10,000—the Government announced that the price would not exceed Rs 7,500. No sooner had this happened than some TV manufacturers advertised their colour sets for only Rs 5,500. Even before people could sit up and wonder, out came another television manufacturer who promised consumers a quality colour TV for less than five thousand rupees—Rs 4,999.00 to be precise. Is this really the end of the crash?

Quite obviously, the cost estimated was exaggerted to begin with. It is clear now that the business is not really that costly after all. Besides, the price contains a good dose of custom and excise duties and sales tax, which together account for over 55 per cent of the cost to the consumer.

What is the real picture behind the different price quotations? To begin with; it must be clarified that the lowest price offered so far is for a colour TV of a smaller size, of 37 centimetres (14.5 inches). It is to be marketed, under the brand name of Sankyo and being made by a Delhi-based firm called Calcutta Gramophone Company. The larger sized TV of 51 centimetres (29 inches), which most of the manufacturers are to market, this company offers for Rs 6000.

The price fixed by the Government, strangely enough, is not what the TV manufacturers have decided to charge. Whereas the Electronics Corporation of India Limited (ECIL), prized for its black and white sets, is yet to confirm its final price, it is likely to charge between Rs 8,000 and 8,500. Its booking starts next week and it hopes to make deliveries by October. Other manufacturers, mostly in the private sector, will charge anywhere between Rs 7,500 to Rs 13,500, depending on the quality of the imported components kit for their particular model. Weston, for example, is to sell two models of colour TV. One of them, which will be using the components supplied by the official canalising agency, will cost Rs 8,500 and is expected to be ready by August. The other model, based on Hitachi of Japan, costs Rs 13,500 and is already on the shelves. Televista too is importing the components kit from Germany and Japan and its offered price of Rs 5,500 is exclusive of the duties and taxes, which, if included, would come to around Rs 7,500 per set.

Shrouded in Confusion

As of now, the Government's policy regarding colour television seems to be shrouded in confusion more than anything else. It has decided that the Electronics Trade and Technology Development Corporation (ETTDC) will be the official canalising agency for the import and distribution of the components kits to the indigenous manufacturers. Its final choice of the quality of components has disheartened the manufacturers in the private sector, who at present account for 80 per cent of the total black and white sets produced in the country.

The ETTDC, unfortunately, has saddled the manufacturers including those in public sector with a choice of just two packs. In fact, till the big event of Asiad '82 the choice has effectively been limited to just one pack—from two firms in South Korea (Samsung and Goldstar). It is said that their technology is at least five years old. The other option, a pack from ITT of Germany, has become non-viable right from the start as the Government has set a ceiling of $128 per kit

The golden white light of SON ...a silver lining to the nights ahead.

Every time a better light is needed, Philips is always first with a new lamp.

Now it's Philips SON, the answer to the times. Today, industry needs more and more power to sustain the developing economy. Also, there are thousands of villages which must receive the benefits of electricity.

Wherever the SON is switched on, its golden white light is universally welcomed: for its energy conservation coupled with better visibility on roads, and for higher illumination in vast industrial environments.

Every single Philips SON lamp that replaces an existing incandescent lamp will save precious watts of power which can be profitably used in more critical fields.

"The country is in for unprecedented power cuts. There are very few states which have not imposed severe power cuts on industry by now... The overall effect of the power famine is expected to be worse than that of the drought."

—Business Environment,
October 13, 1979

ANOTHER BRILLIANT ENERGY SAVER FROM PHILIPS

PHILIPS SON (pronounced to rhyme with 'dawn') ushers in an exciting concept in energy conservation. Manufactured for the first time in India, this sensational 250W lamp—a high pressure sodium vapour lamp—gives an incredibly brilliant light output. Equal to that of a conventional 1500W incandescent lamp. Which means, every Philips SON conserves 1250 precious watts.

The role of Philips SON in energy conservation becomes more dramatic when you consider an outdoor storage area with, say 1000 light points. If each of the conventional 1500W incandescent lamps at these points were to be replaced by the Philips SON, it would save 1000 x 1250W = 12,50,000W. A staggering 1250 kW of power!

Palam Highway, Delhi— the first to get Philips SON in India

India got its first look at the golden white light of the Philips SON when the Palam Highway lighting was switched on in 1977. Appreciative motorists testify to better driving and better visibility conditions even in smoke, fog, mist, dust and rain. The 108 Philips SON lamps in use at present on the 1.5 km stretch save as much as 16,200 watts of power.

Some of the other places where the Philips SON will shed its bright but energy-saving light are Anna Salai Road, Madras, Tirumalai—Tirupati Devasthanam; DESU, Delhi; Bhubaneshwar and Jaipur Municipalities; T.V.S. Hosur; Salem Steels; V. I. P. Road, Calcutta, Escorts Outdoor Industrial Lighting Project, Faridabad.

There's a place for Philips SON and for saving energy

Public lighting: major roads and highways, junctions and pedestrian crossings. Outdoor decorative lighting.

Industrial lighting: area lighting at coal mines, container berths, airport aprons, marshalling yards, security lighting. Indoors, such as steel plants, large factories—areas where critical colour rendition is not important.

PHILIPS—MAKING ELECTRIC LIGHT ENERGY-EFFECTIVE.

PHILIPS

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ported. The ITT pack along with its itch mode power supply, reportedly sts more than this ceiling.

No wonder then that till one week be-re the last date (July 15, 1982) for in-rming ETTDC about their scale of quirements, not a single application had en made by any TV manufacturer. But a surprise development, within the last eek, orders for 90,000 component kits have been placed with the ETTDC by 20 manufacturers. This is claimed by the Secretary of the ITMA (Indian Television Manufacturers Association), Mr Ambawani, who maintains that the orders were for 40,000 kits more than what ETTDC had expected.

Besides imports through the ITTDC, manufacturers in the private sector, including those not allowed canalised imports as they assemble less than 5,000 sets annually (Government has allowed them to make only 2,500 sets) are using their replenishment licences to import colour TV components from other sources as well. In fact, they had clearly preferred to buy components from Toshiba and Grundig which were earlier in the race for ETTDC's choice. But their price was higher too.

UPTRON's Approach to Development

K. Bhushan

PURSUIT of rapid development of ectronics industry in the State, PTRON has conceived following three proaches:

(a) Building up infra-structure through a number of electronics estates and complexes where small and medium scale entrepreneurs could set up manufacturing units.

(b) Setting up joint sector units where medium and large investments are involved.

(c) Setting up large public sector units to serve as nucleus of growth.

Now let us see how these have been nplemented.

A large number of entrepreneurs are aving profitable ventures in UPTRON omplexes at Kanpur, Rae Bareli, ahibabad, NOIDA, Bhimtal and arojini Nagar, Lucknow. These entre-renuers get help through the multi-le assistance plan of UPTRON. New ntrepreneurs are helped in product lentification, preparation of project eports and project profiles through JPTRON's Consultancy Department. he Infrastructure Department of he company helps entrepreneurs in aison with the Government, in secur-ng licences and arranging finances hrough financial institutions. The esting and Development Centre helps o test the products at very nominal ates and if the product could be manu-actured to specified quality the Market-ng Division helps to market the pro-lucts manufactured by such entre-reneurs.

UPTRON has established a number of oint sector companies, viz, Hindus-an Computers Limited, UPTRON Electronic Devices Ltd, UPTRON Anand Limited, UPTRON Shreetroix Limited and UPTRON Powertronics Limited in the large scale sector. These companies manufacture several products ranging from high reliability polystyrene and electrolytic capacitors to sophisticated computer systems.

In addition to all these promotional activities in which UPTRON participates actively, the major strength of the company lies in its own successful commercial operations. The company manufactures a very wide spectrum of products ranging from electronic components to highly sophisticated digital systems. In its factories at Allahabad and Lucknow the company produces TV sets, radios, aluminium electrolytic capacitors, data entry systems, scientific computers, ground water well loggers, data acquisition systems. At its factory at Sahibabad the company produces industrial electronics equipment and systems. The products manufactured in its own factories generated a turnover of Rs 15.56 crores this year. The group turnover this year was Rs 32 crores.

Whatever products have been introduced in the market by UPTRON, are considered of very good quality. In the area of consumer electronics, UPTRON television sets are brand leader in the Northern, Eastern and Western Indian markets. The company will shortly introduce UPTRON TV in Madras market after having made a success in Bangalore.

In the area of Digital Systems not only has the company introduced standard products like data entry terminals but has also successfully commissioned airline reservation terminals all over the country. Today UPTRON equipment serves Air-India network at Bombay, Calcutta, Delhi, Madras, Bangalore and Trivandrum. In other places the installation work is in progress. A sizeable number of custom-built data acquisition systems have been supplied to various State electricity boards during the last one year.

Ground water well loggers which have been manufactured for the first time indigenously, have been supplied to several States for their ground water exploration. These have resulted in saving of considerable foreign exchange to the country.

UPTRON has entered into export market by commencing export of Electrolytic Capacitors in January this year. Since then there has been steady flow of export orders which are being executed. The company already holds export orders of 3 million pieces and expects to export at least 5 million pieces during the current year.

The greatest strength of UPTRON is in fact through its successful commercial operations. Though the company spends a very large amount on promotional activities, still it generates substantial surplus as a result of well planned and well executed commercial programmes. Just like any other successful business enterprise it is doing so by functioning as a cost effective institution. There is accountability built in at all levels. Targets and programmes must be achieved which are well mointored and control systems have been designed accordingly.

UPTRON's stress on research and development and its policy of encouraging innovation in all its activities has been highly productive. Today, most of the production and sales is through in-house developed products.

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Marketing Division

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Communication is our business

Sista's/ITI-1110/82

Reed Relays and Electronics India Ltd.

M.M. Kannan
General Manager

R SINCE industrial development star- in India, manufacture of electronic ponents was entrusted to small-scale istries, and indeed was reserved for ufacture by them. This was done ause the electronic industry was re- led as labour intensive and as having potential for generating large scale loyment and development of skills. h a policy did not take account of the nomy of scale. In no other country electronic components regarded as essarily the preserve of the small- e units. It is only when it was found t goods produced on a small scale costing high and therefore uncom- itive, the Government awoke to need for larger scale manufacture these components in order to secure uction in prices. Too many people e run away with the idea that small beautiful, but small is proving expen- e. Thus, the shift in the policy of Government has helped to develop ge volume production of electronic nponents which are the basic buidling cks of the electronics industry. With ge volume production, we may be in etter position to cater for export mar- s due to the high quality and compe- ve prices. The stage has come for the ctronic industry to treat the entire rld as its market. This has proved to successful in many countries where eap labour is available. To mention few, South Korea, Taiwan and Singa- re. They have successfully established ge volume production and have been porting the majority of their produc- n, as this would serve the twin purpose out above.

The small scale industries in India ffered from the handicap of not hav- g their own research and develop- ent facilities to ensure high quality oducts. Export markets furthermore sist on standardisation of products d this is possible only at the medium d large scale levels where expensive uipments for production and testing e required, thereby calling for large vestments.

With the world market in mind, M/s eed Relays and Electronics India Ltd., are planning to achieve the objective of exporting large volume products particularly when the domestic market for electronic goods had not developed at the speed at which it was anticipated.

The Government of India have now plans to expand into three main areas—viz. Telecommunication, Power Generation Systems, Computers, Computer Peripherals and consumer and entertainment electronic products. The market for these products is expanding phenominally and such a growth will most certainly encourage manufacturers to produce and increase the emphasis on high quality and reliability of products.

Under the present policy, the Government have also relaxed and allowed import of raw materials, spares and components for manufacturers and also allowed import of technology, prototype equipments for developing existing manufacturing process which will enable updating continuously the production facilities—most notably import of special test equipments to ensure quality and high reliability.

With the shift in policy objectives, M/s Reed Relays and Electronics India Ltd. (RRE) feel encouraged to expand its manufacturing facilities and has recently signed an Agreement with M/s. Flight Refuelling Limited, Wimborne, UK., to manufacture Form 'A' Reed Switches of all types that are currently being manufactured in the UK by FR Electroncs, a division of M/s. Flight Refuelling Ltd., UK, for sale in Europe and the rest of the world.

Even at the early stages of the company's production, RRA commenced export of reed switches in 1978 and till today have exported close to 2 million reed switches and established itself as a reliable supplier of quality reed switches.

This encouraged Flight Refuelling Limited who have been watching our performance, to enter into an agreement with RRE for manufacture and export of reed switches to cater for their customers in Europe and elsewhere. FR Electronics have built up a wide network of customers in the Western Hemisphere and have established a high reputation for the quality and reliability of their products. Hence, this fact, combined with the agreement entered into by RRE will provide an opportunity to cater for FR Electronics (FRE) established customers.

The main highlights of the agreement are:

1. Transfer of complete know-how for production of all Form 'A' Reed Switches.
2. Assistance from FRE continuously to improve on quality and reliability.
3. Leasing of equipments required by RRE for the manufacture of Reed Switches.
4. Exports of 4 to 5 million Reed Switches/annum.
5. Periodical visits of qualified FRE personnel to RRE at FRE's expenditure.
6. RRE would be allowed to manufacture all neew products developed by FRE for sale within India.

Over and above the term set out, FRE will transfer to RRE the advantages of any further Research and Development which can be effectively exploited in India.

The company has developed other new products during the year 1981-82 and these are:-

1. Miniature Reed Relays
2. Standard Size Reed Relays
3. Mercury Wetted Contact Relays
4. High Voltage Reed Relays; and
5. Customised Reed Relays.

The design of reed relays is a very exacting exercise and needs considerable amount of technology and infrastructure. Manufacture of reed relays was started by RRE during 1981. From the period of commencement till now, RRE has introduced a wide range of reed relays. As a result of our entry into the reed relays, FRE decided to get tinto an agreement for marketing our Reed Relays in the Western World and this agreement was signed in January, 1980 and is valid for a period of 5 years. This agreement is independent of the Reed Switch agreement. RRE has in its books orders for 30,000 reed relays to be exported during the next 3 to 4 months. The sale of reed relays will increase from now on and is estimated to grow into 200,000 to 250,000 reed relays/annum. The labour involved in the manufacture of reed relays is much higher than reed switches and therefore makes India the more relevant producer. RRE reed relays have been accepted by original equipment manufacturers in Europe and it is our objective to get a share of 10 per cent of the European market which is estimated at 4 million Pounds per year.

Keyboard Switches

RRE has received an industrial licence No. CIL:117(82) dated 22nd March, 1982, for the manufacture of keyboard switches, keypads and limit and proximity switches using the reed switch. RRE started assembly of small quantities of keyboard switches (both low and high profile) and the large volume production was started in the middle of 1982 and today we have order in our books for Rs 8 lakhs. With the ever increasing growth in the computer field and also in the microprocessor based equipment, the requirement of keyboard switches will further increase.

With the commencement of keyboard switch production, our next logical step is to take-up manufacture of encoded and un-encoded keyboards.

A new reed switch was designed by FRE for use in keyboard switches. This is being transferred for production in India. This has been designed specially for keyboard switch application.

Other new products that are currently under development with the assistance of FRE are Solid State Relays, Proximity Switches, etc. The company's policy is to enter into as many new products as possible, using the basic reed swit
element.

The company's presently establish
facilities make it fully self-sufficient
the manufacture of reed switches an
related products. With the ever increa
ing demand for these products as a r
sult of expansion in various fields i
electroncs, coupled with the policy c
the Government to assist and nurtu
the growth of electronic compone
industry, the future looks bright.

RRE is lucky to have qualified, high
skilled and dedicated technical personn
who may be expected to keep their ey
and ears open with the latest develop
ment in the field of electronics an
the company's facilities will be ful
utilised for manufacture of multiple r
quirements of electronic goods and buil
up a wide ranging export for electron
products and also build-up a sound d
mestic market for these goods.

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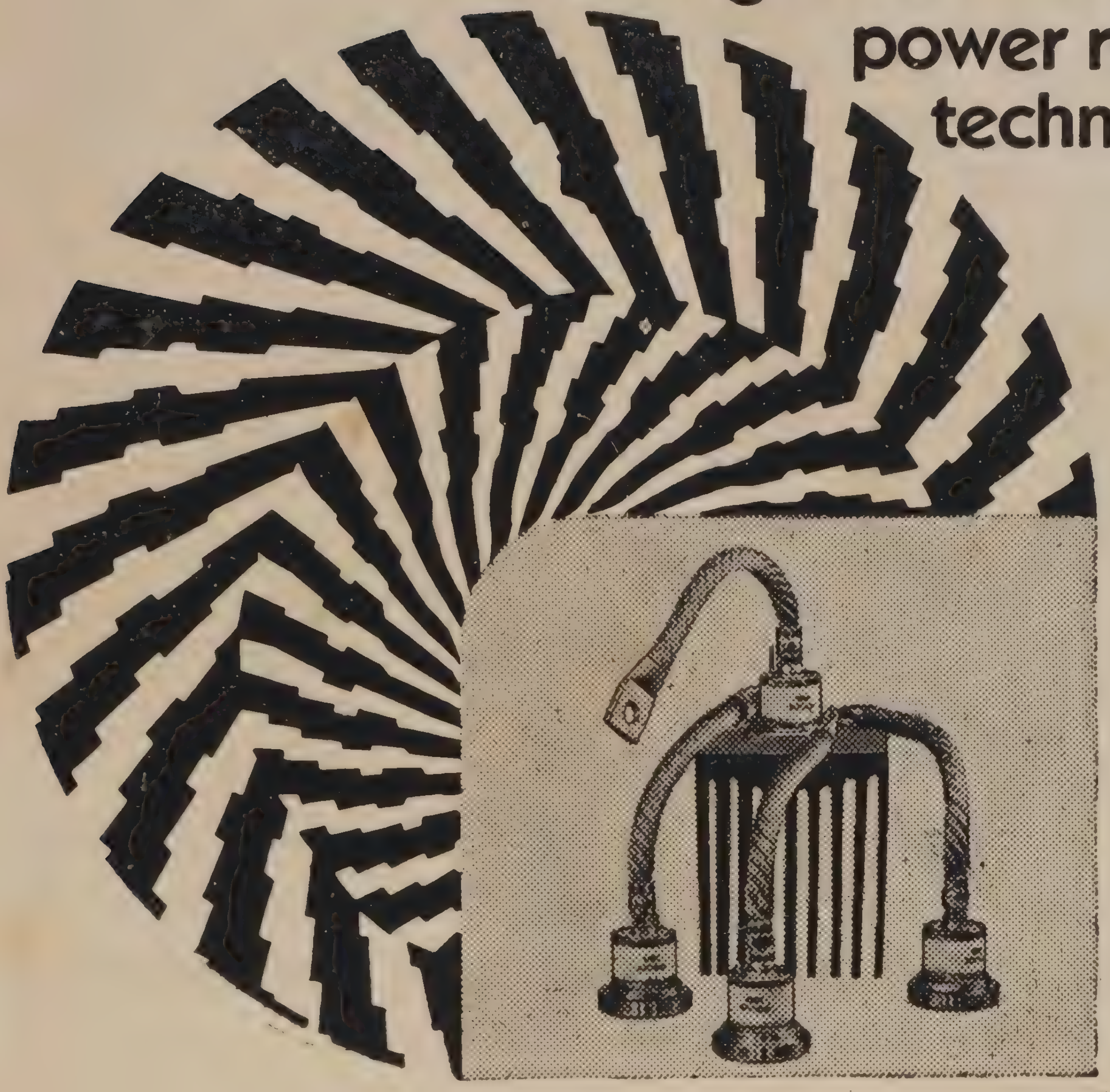

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PRATIBHA-AO-27/82

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Utilising Production Capacity

Navin Chandra Joshi

Improvement in the capacity utilisation can quite often be brought about by measures other than technical. It is the human element, the author stresses, which plays a decisive role. He believes that such sectors as agriculture, irrigation, power, transport and manpower planning are in need of research at the micro-level.

N DEVELOPING countries production be- ow capacity or sub-optimal utilisation of apacity in industrial plants and machi- ery has been a significant constraint on the rowth of their Gross National Product. This becomes more crucial when it pre- ents further growth of new industries due o halting progress in the formation of ew capital and, therefore, new investment.

Maximum utilisation of capacity as- umes significance also for the reason that has the effect of lowering the incremen- al capital-labour and capital-output ra- os. It is also true that almost all factors eading to under-utilisation are identical oth in public and private sector enter- rises. The business risk involved in ublic sector investments is in no way ifferent from the general business risk.

The reasons for under-utilisation of apacity can be put under two broad cate- ories—managerial and extraneous. The ormer includes the following :

1. Machine breakdowns caused by ack of organised effort at maintenance. They result in considerable downtime.

2. Lack of effective planning system as ny kind of.detailed and integrated plan- ing is gernerally absent in production nits. This causes idle time for plant and quipment. Lack of synchronisation in nter-industry demand also affects the per- ormance of enterprises.

3. Inadequate marketing efforts be- ause managements do not fully explore he internal as well as export markets.

4. Diversification and development of echnology are not adequately taken care of. Rapid technological developments nakes it difficult for most firms to keep hemselves abreast of new developments, Besides, there are instances where newly eveloped technology is applied without areful analysis with reference to the wor- ing environment, the quality and quan- ity of available raw materials, the level of kills and other technical support.

5. To a large extent, delays in decision-making and implementation are responsible for demoralising the managerial. personnel.

6. Outdated technology borrowed from abroad makes production uneconomical.

7. Inadequate maintenance of plant and equipment fails to prevent stoppage in production.

The extraneous factors include : (i) raw material shortages ; (ii) power constraints ; (iii) vagaries of internal market ; (iv) industrial unrest ; (v) other constraints like import restrictions.

It must be recognised that as a management tool, any exercise in capacity utilisation aims at optimum utilisation of all the resources. Of these, the managerial resources seem to be considerably significant and yet the most neglected by the top management personnel.

Lack of Concern

In almost all developing countries, lack of adequate concern for maintenance management causes about 50 per cent of unutilised capacity. It is not appreciated that line maintenance managers are most effective only when they develop expertise in personnel, supervision, management, spares and logistics, maintenance tools and maintenance organisation and have intimate knowledge of their plants, equipment operation and men. They need to keep themselves up-to-date by periodic retraining in the latest techniques of maintenance which requires support of engineering and technologicel specialist services. Cross-fertilisation of ideas and concepts are essential for further improvement in maintenance and consequent improvement in utilisation of capacity. It cannot be gainsaid that a perfect maintenance system, adequately backed up by expertise can pave the way for an uninterrupted on-stream working of equipment and machinery.

There are various specific inputs falling within the area of management of individual units which, if administered properly, can improve capacity utilisation. In the first place, the greatest importance should be attached to proper utilisation of the human resources, be it managerial, supervisory or work force. We must remember that, after all, it is men who eventually deliver the goods. And to do so, they must be provided with adequate motivation and a sense of participation. It is this input whose development requires longest time-cycles. Further, generally the ills of a manufacturing unit are attributed to industrial disharmony and labour problems. It has been found in a majority of cases that there is a close relationship between the state of industrial relations and the quality and nature of top management. The top management has often tended to regard itself as an exclusive preserve far above in the hierarchical ladder and this has dampened the enthusiasm of middle management. Merit and competence at the middle level of managers are seldom rewarded.

Likewise, if the company made profits, these were often skimmed off into more lucrative trades or other businesses and lines of manufacture which, therefore, deprived the plant of the means to modernise and replace worn-out equipment. In the public sector, too, the selection of chief executives and top managere leaves much to be desired. Most of the top echelons of management regard their stay in the public sector as transitory, which obviously means that they are neither fully equipped to start with nor are they remaining long enough in the public sector to acquire the necessary profesional skill and to identify themselves with the well-being of the undertakings to which they are assigned.

Management Tenets

Management is a subject by itself and its tenets do suggest measures to increase productivity with better organisation, coordination, control mechanism, planning and so on. Every production unit of an organisatson having its own set of problems and challenges needs to have the right persons with appropriate professional competence. There are many instances where plants are allowed to go obsolete because the management thinks that as long as the machines are running, no attention need be paid to the prolongation of their life and the need for keeping pace with modern developments and technology. It is hardly realised that plant is like an organism which must be kept in good repair. There should be a regular programme for rehabilitation and modernisation of plant and equipment in a systematic and well-planned manner. Linked with this is, the question of proper maintenance. Very often, it is the practice to take up maintenance of production machinery and equipment only when it breaks down. If a systematic schedule of preventive maintenance is worked out and followed, valuable machine-hours can be saved, resulting in increased production. A higher rate of capacity utilisation is not that crucial. What matters more is a higher rate of output. If this could be achieved with the same previous rate of utilisation of installed capacity, surely it is as desirable as it would be a good pointer towards setting the organisation's managerial house in order.

The conclusion that emerges is that an improvement in capacity utilisatson can be brought about to a large extent by measures other than strictly 'technical' in the sense that more than machin
it is the human element which plays
decisive role. Aside from what has be
pointed out above, it is necessary th
some other important areas need resear
at the micro-level. These are in the fo
of cost-benefit analyses of full utilisati
in manufacturing industry, under-utili
tion of capacity in sectors like agricultu
irrigation, power and transport and fin
ly, manpower planning in all sectors
the economy.

Exporting Onions : What Ails the Trade?

R.B.L. Ga

Onion trade may not have glamour around it but is lucrative in terms of offering gainful employment and spinning foreign exchange. The author says that it can be still more gainful provided all-out effort is made both in the fields of production and marketing to avoid possibility of surfeit or scarcity which afflicts onion trade from time to time.

The rapidly growing use of onion, partly due to its low price and partly because of its therapeutical utility and capability to make dishes palatable, has made it one of the major vegetable crops in several parts of the world. There are 14 major onion growing countries led by China and followed by the USA and India. The other major growers are the USSR, Japan, Turkey, Egypt, the Netherlands, Italy, Brazil, Poland, Indonesia, Iran and Pakistan. China's production in 1979 was 25.40 lakh tonnes, while that of Pakistan was 3.25 lakh tonnes and of India 15.75 lakh tonnes. Although the recent comparative data are not available, most of these countries are believed to have stepped up their output. In India during the last two years production has inereased considerably and is now estimated at 25 lakh tonnes.

In India onion is cultivated mainly in Maharashtra, Gujarat, Uttar Pradesh, Orissa, Karnataka, Madhya Pradesh, Bihar, Punjab and Haryana. Andhra Pradesh and Tamil Nadu also grow onion as a short-term crop rather successfully and their production too during the last few years has increased considerably. Maharashtra and Gujarat account for more than 40 per cent of the total production in the country. In terms of area and production Maharashtra tops with 50,500 hectares and 7.75 lakh tonnes. In terms of yield per hectare Gujarat leads (16771 kgs per hectare), closely followed by Maharashtra (15,339 kgs) and Punjab (14,750 kgs). In Punjab the land under onion is limited to 1200 hectares and total production is estimated at 18,000 tonnes. Amazingly Tamil Nadu now occupies third place in the production (275,000 tonnes) and although there has been increase in the yield per hectare, it is yet lower than Maharashtra, Gujarat, Punjab and Uttar Pradesh.

Traditionally, India has been an important exporter of onions, Most of importing countries, particularly in the Far East and West Asia, had a taste and liking for some varieties of Indian onions. Now India is exporting onions to several countries including Malaysia, Dubai, the USSR, Kuwait, and Singapore which jointly account for 80 per cent of its total exports. India is also exporting to some European countries, but they are still marginal buyers. Over the years, there has been rapid growth in the exports from India, jumping from 29,565 tonnes (valued at Rs 80 lakhs) in 1955-56 to as much as 97,273 tonnes (valued at Rs 2.52 crores) in 1965-66. Exports since then, particularly after 1969-70, have shown an erratic trend. In 1970-71, India exported as much as 1.52 lakh tonnes which brought foreign exchange worth Rs 6.21 crores, but exports slipped steeply to 54,002 tonnes and the value got reduced to Rs 2.28 crores in 1971-72. It was only in 1975-76 that exports rose to 110,234 tonnes (Rs 13.85 crores) and improved significantly further in 1976-77 when they totalled 1.74 lakh tonnes (Rs 19.61 crores). This is believed to be the highest figure more particularly quantitatively which still remains to be repeated. In 1977-78 exports slipped to as low as 55,132 tonnes (Rs 8.72 crores) and remained low even in 1978-79, showing only marginal recovery in both value and volume—Rs 9.09 crores and 57,076 tonnes, respectively. It was only in 1980-81 that exports from India touched an all-time peak of Rs 23 crores, although quantitatively the country expoted less (estimated at 1.50 lakh tonnes) than in 1976-77 (1.73 lakh tonnes). This compares favourably with a performance of only 87,000 tonnes, valued at Rs 12.58 crores in 1979-80. A steep rise in the unit val
realisation in the recent years has pa
rich dividends. It is widely felt that Inc
could well export upto four lakh tonn
by the end of the current Plan, provid
the correct strategy for production a
exports is opted.

There are many constraints on the pr
duction and export of onions which ne

Table I

World Production of Onions

(Selected Countries)

Country	1979 ('000 tonn
China	2540 (208)
USA	1719 (50)
India	1575 (215)
USSR	1476 (170)
Brazil	630 (68)
Pakistan	325 (31)
Indonesia	185 (39)

(Within brackets are given area und
onion in '000 hectares)

Tale II

State-Wise Production of Onions : 1979-80

State	Producti ('000 tonn
Maharashtra	774
Gujarat	293
Tamil Nadu	274
Orissa	179
Madhya Pradesh	116
Karnataka	163
Bihar	102
Andhra Pradesh	123
Haryana	17
Rajasthan	36
Punjab	17
Uttar Pradesh	156
West Bengal	82
Other(E)	151
All India	2489

E—Estimated

ɒe got rid off timely to enable India to
ıp up foreign exchange earnings in a
way. The yield per hectare has in-
ased over the years but there is still
pe to further improvement. Post-har-
t management of the crop also needs to
adequately improved. Between 25 to 35
cent of the produce is generally of ex-
mely poor quality. During storage and
nsit even good bulbs deteriorate in
ility due to contact with bad bulbs.
ulage of onion in closed wagons often
ults in decomposition of 10 to 20 per
t of the stock. Onions undergo various
es of storages from the points of har-
t till they reach the consumer basket.
ses occur at every stage, Even far-
rs, after the harvest, pack onions in
k gunny bags which do not facilitate
per aeration. The heat generated by
lbs in such bags initiates the process of
outing and rotting even before the
cks come to the market. It is, there-
e, necessary to improve the post-har-
t operations to avoid any loss of the
p.

Experts also recommend creation
warehousing facilities in medium and
ge towns. Dehydration of onions
sh crop of onions has a high moisture
ntent, as a result of which the produce
ds to lose weight) should also be taken
in a big way as it would ensure protec-
n from rotting in transit. The problem
surplus production (as experienced
ring 1980-81) also needs to be tackled
operly lest we should face the situation of acute shortage of this precious vegetable. The first priority should be given to clearing the accumulated stocks by ensuring timely haulage through road and rail. The method of procurement and distribution by cooperative bodies like National Agricultural Cooperative Marketing Federation (NAFED), which is the export canalising agency, and Maharashtra State Cooperative Marketing Federation, which are normally expected to lift onions at fair prices, should also be suitably improved. This, however, would not be so easy without adequate subsidies being offered to them due to the possibilities of losses in these activities.

There is strong competition in foreign markets especially from Pakistan in the West Asian markets and China in the neighbouring Asian countries. Pakistan is a new comer in the field with its entry in 1977-78 when the country first exported 45,000 to 50,000 tonnes to these markets. But it was only in 1978-79 when Pakistan, following India's ban on exports, made entry into these markets in a big way even using 'Nasik label' to realise higher price. The problem of competition can be tackled by a firm policy as also by improving the quality of the produce. There is also an urgent need to diversify production to particularly white and yellow qualities which are in greater demand in several parts of the world. The Associated Agricultural Development Foundation, founded in 1977, is believed to be doing some meaningful work in this respect by propagating white-skinned and yellow-skinned onions which are also more suitable for dehydration. The dehydrated onions are in great demand in the European countries.

The onion trade may not be as glamorous as others (such as steel, engineering, garments, etc) but is quite lucrative both in terms of boosting the earnings of the farmers and offering them gainful employment and spinning foreign exchange. It can be made still more lucrative provided an all out effort is made both in the fields of production and marketing in a planned way, to avoid any possibility of surfeit and scarcity as has been experienced in the past. Reduction in export prices (in times of surfeit) or banning of exports (when there is scarcity) are only negative approaches which may not help India in reaping the benefit of boom.

TABLE III

Trends in Onion Exports from India

Year	Volume (tonnes)	Value (Rs crores)
1970-71	152,190	6.21
1975-76	110,234	13.85
1976-77	173,053	19.61
1977-78	55,132	8.72
1978-79	57,076	9.09
1979-80	87,000	12.58
1980-81(E)	150,000	23.00

E—Estimated

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Demand for Nylon Tyre Cord

NYLON TYRE cord had a rather late start in India. It also took fairly long to establish its superiority over rayon tyre cord. However, nylon of late has caught up with rayon. In a span of about one year, the demand for nylon tyre cord has stripped all previous estimates. The result was that the situation turned paradoxically from a glut in the market and idle capacity in the industry to that of impending shortages.

These rather dramatic developments have saddled the industry with two conflicting courses of action to tackle the situation :

i) The industry will be compelled to expand the production capacity as fast as possible to meet the rising demand

ii) Yet, the long- range demand for nylon does not appear to be promising enough to sustain these enhanced capacities. Two most important factors that could bring about the decline of nylon are :

(a) Shortage of petro-based raw materials with galloping prices. and

(b) Rapid development of radial tyres using steel tyre cord by completely or substantially replacing nylon or rayon.

Original Equipment

Vehicle population on the road determines the "replacement" demand for tyres. The actual production of buses, trucks, automobiles, scooters and so on determines demand for tyres for "original equipment".

Generally speaking a steel radial truck tyre with two retreadings is capable of running upto 200,000 kms (its original life: 100,000 kms). As against this a conventional nylon truck tyre gives about 60,000 kms as original and another 55,000 kms with two retreads.

World trend is an favour of radials. Substantial saving results in the consumption of scarce petro-based raw materials. Indian tyre manufacturers are willing to shift to radials.

A radial truck tyre of comparable size gives almost double the mileage of a conventional tyre. This increased life span reduces the replacement demand. It is estimated that one radial is equivalent to 1.8 conventional tyres in this respect.

Radial tyres generally use steel tyre cord in the following combinations :

(a) Steel/steel radials

(b) Steel/nylon radials and

(c) Steel/rayon radials.

Whereas earlier about 80 per cent of truck and bus tyres (accounting for over 80 per cent of total cord consumption) used to be made with RTC the position is now almost reversed with 65 per cent of truck and bus tyres being made with nylon. This percentage is expected to rise to about 75 per cent shortly.

This shows clearly how rayon was introduced, had a rapid growth, enjoyed a period of peak demand and has now entered the phase of decline in demand.

Situation of Decline

It is feared that nylon also will soon face a situation of decline in demand. Some of the factors which reinforce this view are :

i) Technological improvement in the form of radial tyre has come to stay in West European countries and USA. It is only a matter of time before radials are widely used in this country. As is well known the demand for nylon will be severely affected by the introduction of radials for the following reasons :

a) Radials can be made either from 100 per cent steel or by using a combination of steel and nylon or steel and rayon. The steel/nylon radial truck tyre uses only about 3 kgs of nylon as against 5 kgs used in a conventional truck tyre.

b) Since radials are expected to give 100 per cent extra mileage, the total demand for tyres will come down. Thus the one radial tyre requiring at best 3 kgs of nylon will replace nearly two conventional tyres which would have consumed 9 to 10 kgs of nylon.

c) Another inexorable development is the petroleum crisis. This would inevitably lead to shortage of petro-based products which in turn would encourage use of those products which are not petro-based. Here again, steel tyre cord will have an edge over nylon. This may even lead to revival in the demand for rayon which may be used in combination with steel for reinforcement of radial tyres. Raw material for rayon is wood pulp which is not petro-based.

In summary, it is patent that nylon tyre cord in India has crossed the phase of introduction and rapid growth (following the concept of product life cycle) and is now entering the phase of maturity or slow growth in demand. Further it is only a few years (5 to 6) away from t phase of decline in demand.

For working out the nylon tyre c demand projections, only three categor of tyres need to be taken into conside tion viz giant (bus and truck) tyres, c tyres (including passenger cars, jeeps a light commercial vehicles) and OTR (the road) tyres. These are the categor of tyres for which nylon is used.

Use of nylon in other categories of ty like scooters, trucks ADV and so on assumed to be insignificant. Ae tyres are also excluded as nylon-66 is us here and not nylon-6.

The demand projections for nylon ty cord are based on the conventior (crossply) tyres upto the year 1982- (inclusive) and thereafter from 1983- onwards the effect of radials can considered.

The effect of radial tyres can be con dered in the case of giant tyres only (whi constitute more than 90 per cent of c mand for nylon tyre cord.

Gradual Decrease

Total nylon tyre cord requirement w increase from 12.900 tonnes in 1979-80 19,560 tonnes in 1985-89 and decrea gradually thereafter to a level of 15,5 tonnes in 1988-89 if all radial tyres a steel/nylon. If steel/nylon radials are a sumed to be only 50 per cent of all dial tyres the requirement will be le

The fall in the requirement of nyl tpre cord is expected in view of the adv of radial tyres. From 1983-84 the rate growth of increase in nylon type cord mand will start declining. Further fr the year 1985-86, when the rate of placement of conventional tyres by rad tyres will be quite significant, the act decline in the absolute demand for nyl tyre cord will occur.

The following table shows the dema pattern of nylon tyre cord upto 1988-8

Year	Total NTC requirement (tonnes)	Growth r (%)
1982-83	16,770	(+) 10.
1983-84	18,230	(+) 8.
1984-85	19,240	(+) 5.
1985-86	19,560	(+) 1.
1986-87	18,420	(—) 5.
1987-88	17,360	(—) 5.
1988-89	15,580	(—) 10.

STATE OF THE ECONOMY

OL Imports To Decline

E CRUDE oil and petroleum ducts import bill should ster a sizeable decline this r. The saving could have n even more pronounced l delays not taken place in commissioning of the se- dary processing facilities ch are being put up at the thura and Koyali refineries. e recent strike at Bharat roleum's Trombay refinery has had some adverse ct on the overall imports.

Fall in the POL import l can be expected not only e to the marked increase ely in the domestic produc- n of both crude oil and ined products but also ing to the softening trend global prices. The latter s followed the recent stripp- g of the Organisation of troleum Exporting Coun- es of its price and produc- n regulation roles which s freed its members from the ligation of adhering to e reference price of $34 barrel for light Arabian ude and production quotas thin the overall ceiling of .5 million tonnes.

Domestic output of crude l this year is slated to be epped up to around 21 llion tonnes—about 12 llion tonnes from offshore mbay High and the balance om the onshore areas in ujarat and Assam. Last ar, it was around 15 llion tonnes. Should this pectation materialise, im- rts of crude oil this year ay not exceed 12 million nnes, for the total require- ents are estimated at 31.7 illion tonnes. Imports of troleum products, however, e now anticipated to go up 5.8 million tonnes from e original estimate of 4.73 illion tonnes because of the reasons mentioned above. Still imports of both crude oil and refined products will be significantly less than during the last year when imports of crude oil aggregated to about 16 million tonnes and those of refined products to approximately 7.2 million tonnes. Availability of petroleum products from indigenous sources is now reckoned at somewhat lower than the original estimate of 31.8 million tonnes. The requirements, which were estimated at 35.71 million tonnes, are likely to show some rise following the current drought. The demand for diesel for irrigation purposes is bound to go up.

Even then we should be importing approximately 5.4 million tonnes less of crude oil and refined products, which should yield handsome savings in foreign exchange when the global prices are showing a downward trend. Part of the savings, of course, may be eroded owing to the persistent strength of the US dollar in terms of which imports are being effected.

Last year too, the POL import bill recorded decline, though by a modest amount of Rs 82 crores to Rs 5,185 crores from Rs 5,267 crores in the previous year. Imports of crude oil cost about Rs 3,713 crores and those of refined products Rs 1,472, as against Rs 3,349 crores and Rs 1,918 crores, respectively, in 1980-81.

Marine Exports Scale New Peak

Exports of marine products scaled new peaks, both volume-wise and value-wise, during the last calendar year. Quantity-wise, they improved from 74,542 tonnes to 75,375 tonnes, but value-wise the increase was much larger to Rs 286.71 crores from Rs 218.88 crores in 1980. The average unit-value realisation went up to Rs 38,040 a tonne from Rs 29,300. This was due partly to increased exports of high-priced items such as frozen shrimps and frog-legs and partly to considerable reduction in the shipments of low-priced products like fresh and frozen fish, dried fish and fish meal. Besides increased exports of frozen shrimps and frog-legs, exports of frozen lobster tails, shark fins, fishmaws and frozen cuttle fish contributed significantly to the increase in export earnings.

Exports of marine products have also been diversified a great deal. As many as 35 items were exported last year, as against 31 in 1980 and 29 in 1970. Frozen shrimps continued to dominate the trade, contributing 72 per cent of the total exports in terms of quantity and 87 per cent in terms of value. Frozen frog-legs re-emerged as the country's second largest export item among marine products in terms of value relegating fresh frozen fish to the third place. Items like frozen lobster tails and frozen cuttle fish improved their share quite significantly, while the show of fresh and frozen fish, frozen squids, canned shrimp, dried shrimp and dried fish declined.

JULY 10

New Ordnance Factories

The Union Government has decided to set up a number of ordnance factories with a view to achieving self-reliance and self-sufficiency in defence preparedness.

Already, a grey iron foundry has been commissioned as a captive unit for the production of vehicles. Along with it a new plant for the production of TNT and also facilities for production of heavy calibre artillery ammunition have gone on stream.

The main thrust in production is for a new weapons system to replace the World War II vintage anti-tank system along with connected ammunition. Yet another factory equipped with modern machinery was recently established for the manufacture of 105 mm field guns and is in an advanced stage of development.

All this effort coustitutes the policy of the Government to produce and develop more indigenous items and go in for imports only when it is a "must" However, it is felt, there has to be a certain amount of imports, because weapon technology is progressing at a fost pace and there is urgent need for updating weaponry and keeping abreast of developments, to meet any threat to the country's security.

Family Living Survey by CSO

A family living survey of middle class families in selected urban centres of the country is being launched by the Central Statistical Organisation of the Ministry of Planning from mid-July, 1982, to ascertain the pattern of consumption of middle class families.

The survey, which will conclude in June 1983 will cover families of employees in Government and outside, doing non-manual work in the non-agricultural sector on a sample basis. The survey is expected to cost Rs 1.4 crore.

The proposed survey is a prelude to the revision of the consumer price index numbers for urban non-manual employees (middle class) presently heing complied by the CSO with base 1960—100 for 45 important urban centres.

Investment by Indians Abroad

The Reserve Bank of India has further liberalised facilities available to non-resident Indians for investment in shares of Indian companies. It has withdrawn the limit of one lakh rupees in face value of shares for investment by non-residents. It would now be possible for them to invest in shares of Indian companies up to one per cent of paid-up equity capital of the company.

The Reserve Bank will grant permission to designated banks to export the share certificates regarding investments to non-residents when required.

Pig Iron Imports

The Union Steel Ministry has agreed to import 500,000 tonnes pig iron during 1982-83, according to Mr R.K. Mohata, Chairman, Indian Foundry Association.

Mr Mohata pointed out that domestic production of pig iron had declined over the last five years. As a result, greater imports of pig iron had become essential to meet the internal demand. During 1981-82, the Steel Authority of India had imported one lakh tonnes of pig iron, although import plans for three lakh tonnes were cleared.

Mr Mohata felt that the steel plants' "production target of 15 lakh tonnes of pig iron during the current fiscal year was not likely to be hit.

Mounting Railway Expenditure

Indian Railways is faced with the problem of mounting expediture and reduced earnings.

This is clearly brought out in the report of the Comptroller and Auditor General of India for 1980-81.

The report says whereas the goods earnings—the main source of railway revenue—fell short of the budgeted anticipations by Rs 101 crore and even below the revised anticipation by Rs 71 crore due to shortfall in loading of bulk commodities and other (high-rated) goods the ordinary working expenses exceeded the budget by Rs 120.5 crore during the year and even by Rs 68 crore above the revised estimates.

It says the revenue deficit of Rs 197.87 crore during 1980-81 was the "largest" in any year so far. The revenue deficit in the previous year was Rs 86.24 crore.

JULY 11

More Indian Tea for the USA

India's tea export to the USA slightly improved in 1981 compared to the previous year although she remains only at the eighth position in the list of exporters.

According to the official figures, India exported to the USA 6.2 million pounds of black tea in 1981 against 5.5 million pounds in the preceding year.

The total export of black teas from various producing countries in 1981 amounted to 178.25 million pounds compared to 173.61 million pound
1980. The pride of place
tea export to the cour
during the year has gone
Indonesia with about 34
lion pounds, the previous ye
supply having been 31.1
lion pounds. the previous ye
supply having been 31.1 mil
pounds. The export by Ch
and Kenya, however, decli

New Arrivals May 1982

GOVERNMENT —OF INDIA— PUBLICATIONS

S. No.	Title		Price
1.	Government of India, Allocation of Busines Rules, 1961 (As corrected upto 1 March 1982) (Diglot Ed). (Print 1982). P. Cab. S. 232	Rs.	18.00
2.	All India Electric Rate Book. State Section No. 10. Madhya Pradesh. (Print 1982) PCEA 1 (Madhya Pradesh)(Rep.)	Rs.	11.25
3.	Eleventh Annual Electric Power Survey of India. (Print 1982). PCEA. 3. XI	Rs.	15.60
4.	Rashtriya Panchang, Saka Era 1904. (1982-83 AD). Gujarati Version (Print 1982). PDGM. 70. 1904 (Guj.) (N)	Rs.	2.00
5.	Rashtriya Panchnag, Saka Era 1904. (1982-83 AD). Marathi Version (Print 1982). PDGM. 70. 1904 (Mar.) (N)	Rs.	2.00
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7.	Proceedings of the Seminar on Fluvial Process and Geomorphology of the Brahmaputra Basin; A Collection of papers presented at the Seminar held on October 5-6, 1972 in Calcutta (Print 1981). PGSI. 116	Rs.	21.00
8.	Labour Statistics under the Annual Survey of Industries 1971. Summary Report Vol. I Part I (Print 1982). PDLB. 221. 1 (Pt. I)	Rs.	11.75
9.	Union Government Finance Accounts 1979-80 (Diglot). (Print 1982). PCGA. 9.80 (D)	Rs.	54.25
10.	The Cine-Workers and Cinema Theatre Workers (Regulations of Employment) Act, 1981. (Print 1982). (50 of 1981).	Rs.	2.30
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12.	The Motor Vehicles Act, 1939 (As modified upto 1st August 1981). (Print 1982). (4 of 1939)	Rs.	1[illegible].55
13.	Census of India 1971. Series 1. Paper 1 of 1977. Life Tables. (Print 1982). PRG. 398	Rs	4.80
14.	Census of India 1971 Series 1, India. Pt. VI-B Monograph No 2 City of Patna (Print 1982). PRG. 397	Rs.	7.80
15.	Indian Textile Bulletin, Census of Machniery in Cotton Mills—1979. Vol XXV No. 6 (Print 1981). PTC. 7 79.	Rs.	44.50
16.	Rules of Procedure and conduct of Business in the Council of States (Rajya Sabha). (Print 1982), 3rd ed. PRS. 53	Rs.	6.00
17.	The Adovcates Act. 1961 (As modified upto 1st Oct. 1981) (Print 1982), (25 of 1961)	Rs.	3.30
18.	Report of the Backward Classes Commission 1980 First Part. Vol I & II. PHD 339. I (E)	Rs.	12.00
19	Report of the Backword Classes Commission 1980 Second Part. Vol III & VII PHD 339. II (E)	Rs.	18.00
20	Defence Science Journal July 1981 (Quarterly)	Rs.	2.00
	Annual subscription	Rs.	8.00

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r the figures respectively being .9 million pounds (13.6 illion in 1980) and 11.8 mil- on pounds (15.7 million in 80).

ational Grid and eficit States

The proposed national power id, approved in principle by e Union Cabinet, will faci- ate flow of power from sur- us areas to deficit areas and lp in the optimum utilisation the power generated in the untry.

The successful operation of e grid according to experts ll depend on the integrated eration of the existing gional grids and the speedy nstruction of as many extra gh voltage 400 kilo volts line possible to channelise the wer which will soon start wing from the gigantic super ermal power stations.

The National Thermal Power orporation will take up cons- uction of 400 kv transmission ne between Ramagundam- angur, Mangur-Vijayawada, ijayawada-Red Hills, Chan- apur - Ramagundam, and aidhan - Singrauli besides tting up of grid-sub stations nd line bays at various places.

ndustrial Leasing y ICICI

The Industrial Credit and nvestment Corporation of ndia (ICICI) is branching out nto industrial leasing business. CICI is also planning to ex- and its activities by under- aking factoring, computer ork, industrial projecting and ndustrial consultancy activi- es.

Its memorandum of articles f association has been amend- d for this purpose.

The revised memorandum vill also permit ICICI to ndertake hire purchase busi- ess. It is, however, not plan- ing to go into this field in the ear future as it feels that hire- urchase activities are better uited for small finance com- anies. ICICI will also be permitted to participate in the bill arket, it is understood.

JULY 12

Steel Imports

Imports of about 1.8 million tonnes of saleable steel is envisaged during 1982-83. Efforts would also be made to export items which are in surplus, but actual exports would depend on demand and price levels in foreign countries.

Giving this information, the Minister of State for Steel and Mines said the demand for steel in 1982-83 had been assessed at 10.95 million tonnes. Total domestic production of saleable steel was expected to be 9.82 million tonnes. There would be shortfalls in certain categories and surpluses in certain other categories.

Working of Bharat Ophthalmic

Mr N.D. Tiwari informed members that the Government did not plan to restructure the management of Bharat Ophthalmic Gas Limited despite its poor performance.

Answering a question, in Lok Sobha he said the company had suffered a loss of Rs 2.2 crore in 1981-82, Rs 1.87 crore in 1979-80. Capacity utilisation ranged from 31.19 per cent to 33.38 per cent over this period.

The company had attributed its poor performance mainly to the erratic pot behaviour, poor clay, irregular supply of gas, outdated technology and industrial unrest.

JULY 13

Limit on Domestic Credit

The Government of India has agreed to limit the total domestic credit outstanding at the end of fiscal 1982-83 to a maximum of Rs 87,679 crore as part of the performance criteria suggested by the World Bank, Mr Pranab Kumar Mukherjee, Union Finance Minister told Lok Sabha.

This implies expansion of domestic credit of about 18.9 per cent in the course of the year over the amount outstanding on March 26, 1982.

The Finance Minister claimed that the limit was consistent with the objective of adequately meeting the legitimate credit needs of the economy while restraining inflation.

Central Aid to States

The per capita Central assistance released to State Governments increased only marginally from Rs 47.8 in 1980-81 to Rs 49.8 in 1981-82.

This information was given in Rajya Sabha today by the Finance Minister, Mr Pranab Mukherjee, while replying to a question by Mr Arabinda Ghosh.

The highest per capita assistance in 1981-82 was Rs 1939 for Sikkim in 1981-82, while the lowest was Rs 29.6 for West Bengal and Tamil Nadu. The per capita assistance declined in the case of these States from Rs 30.7 and Rs 33 respectively in 1980-81.

Nagaland came second in receiving the highest per capita assistance from the Centre in 1981-82 with Rs 779.1. Other States with fairly high per capita assistance included Jammu and Kashmir—Rs 422.2, Manipur—Rs 392.1, Meghalaya—Rs 371.1, Tripura —Rs 243 and Himachal Pradesh —Rs 230.3.

States which had relatively low levels of Central assistance released during 1981-82 included Karnataka—Rs.32.7, Maharashtra—Rs 34.7, Gujarat—Rs 39.4, Haryana—Rs 41.9 and Andhra Pradesh Rs 40.

The per capita Central Assistance had actually declined from 1980-81 to 1981-82 in the case of Andhra Pradesh, Haryana, Karnataka, Maharashra, Orissa, Rajasthan, Tamil Nadu and West Bengal.

JULY 14

Railways Track Renovation

The railways have approached the Planning Commission for higher allocation of funds for track renewals during the last three years of the current Plan period. During the current financial year the gross allotment for track renewals was Rs 160.5 crore, but the Planning Commission had agreed to raise it by Rs 30 crore.

This was disclosed in Rajaya Sabha by the Deputy Railways Minister, Mr Mallikarjun.

He said all possible efforts were being made to obtain higher allocation of funds. The railways track renewal programme was, however, being implemented according to the existing availability of funds.

Units for Steel Tyre Cord Approved

The Monopolies and Restrictive Trade Practices Commission (MRTPC) has recommended to the Government, approval of applications submitted by both Modi Industries and National Standard Duncan for the manufacture of steel tyre cord, subject to certain conditions.

Modi Industries is to manufacture 2,000 tonnes of steel tyre cord and 300 tonnes of house wire, while National-Standard Duncan is to produce 3,000 tonnes of steel tyre cord annually.

In its reports sent to the Government, the conditions suggested by the commission are:

All production in excess of the captive consumption/indigenous demand would be exported until at least 1988.

Both the companies would procure high carbon high strength steel wire rods of the required diameter and of the requisite quality from indigenous manufacturers if and when such rods were produced in the country and to the extent their supplies were available; and

The plant and machinery would not be utilised by the two companies for the manufacture of bead wires for sale in the country.

JULY 15

Steering Committee for Jute Industry

The Government announced formation of a permanent steering committee, headed by the textiles secretary, to review the problems faced by the industry from time to time and suggest remedial measures.

Other members of the committee are: secretaries, departments of expenditure, supply, heavy industry, agriculture, industrial development and food; director-general, Indian Council of Agricultural Research; additional secretary and financial adviser, Ministry of Commerce: additional secretary (banking) and joint secretary (jute) in the textiles department. The Jute Commissioner is the member-secretary.

World Bank Team Studies Industries

An eight-man team of the World Bank came to this country to make a study of the non-electrical equipment manufacturing industries. The team consisting of economists and financial and technical experts visited the plant of Eastern Pader Mills Ltd, in Calcutta and discussed with the company executives the various facets of corporate operation.

The World Bank study will mainly cover units manufacturing machines for cement, chemicals, paper and sugar industries.

JULY 16

LIC New Business

The Life Insurance Corposation introduced new business of Rs 215.73 crore under 140,457 proposals in individual assurance business during April and May of current financial year.

The southern zone with an introduced business of Rs 77.19 crore and 53,578 proposals, emerged on top followed by the eastern zone, with a business of Rs 43.62 crore and 30,032 proposals. The western. northern and centrat zones introduced new business of Rs 42.70 crore, Rs 30.37 crore and Rs 21.85 crore, respectively.

Amongst the divisions, Bombay ranked first with a sum proposed of Rs 19.93 crore, followed by Calcutta and Trivandrum with sums proposed of Rs 15.36 crore and Rs 9.18 crore respectively.

In respect of the number of proposals also, Bombay Divisions held the top position having introduced 11,036 proposals followed by Calcutta and Bangalore with 10,333 and 5,956 proposals, respectively.

Wholesale Price Index at New Peak

Maintaining its climb for the tenth successive week, the official wholesale price index for all commodities touched a new peak at 289.8 (provisional) during the week ended July 3 as against 287.2 (provisional) of the previous week. The latest index has surpassed the earlier peak of 289.2 for the week ended August 22, 1981.

JULY 17

New Turbogenerator Bars

The Hardwar plant of Bharat Heavy Electricals Limited (BHEL) has, for the first time in the country commenced manufacture of turbogenerator bars with micalastic system of insulation and resin-rich thermoreactive epoxy insulation system. The new system has a high degree of reliability and automation process, besides being one of the most advanced and proven techniques in the world.

Growth in Electronics Industry

The electronics industry is targetted to grow at the rate of 23 per cent rate annually during the Sixth Plan, according to projections made by the Electronics Commission. Estimates made by the Commission show that electronics production will touch Rs 18,665 million in the terminal year of the Plan (1984-85) against a production of Rs 6,695 million achieved in 1979-80. Exports during 1984-85 are expected to be worth Rs 2,250 million. During the Fifth Plan, the growth rate of the industry was 15.6 per cent annually. During 1975-79, production of consumer electronics registered a growth of 22 per cent and professional electronics 11.7 per cent. The production of consumer electronics has grown from a mere Rs 820 million in 1975 to Rs 1,800 million in 1979.

JULY 18

Labour Machinery Streamlined

The Government has strengthened the Central Industrial Relations Machinery (CIRM) and streamlined the procedure for the redress of grievances as industrial harmony is an essential ingredient for increase in productivity. CIRM was able to avert 97 threatened strikes of the 143 reported, in the first quarter of the current year. In addition, it intervened in 27 strikes and two lockouts and settled 20 strikes and all the lockouts.

Railways Freight Movement

The Railways carried 15.03 mlllion tonnes of revenue earning traffic during the first half of the current calendar year, against 107.26 million tonnes lifted during the corresponding period of last year. This is stated to be the best performance in freight movement, the previous highest being 111.20 million tonnes in the first half of 1977. Official sources attributed the increase of 7.77 million tonnes to the tempo of the "productivity year".

JULY 19

Rupee-Pound Exchange Rate

The pound sterling has become 5 paise dearer following a 0.30 per cent devaluation of the rupee in terms of the basket. With this revision the 54th this year the middle rate depreciated to Rs 16.60 from the previous Rs 16.55.

Credit for Sugar Mills

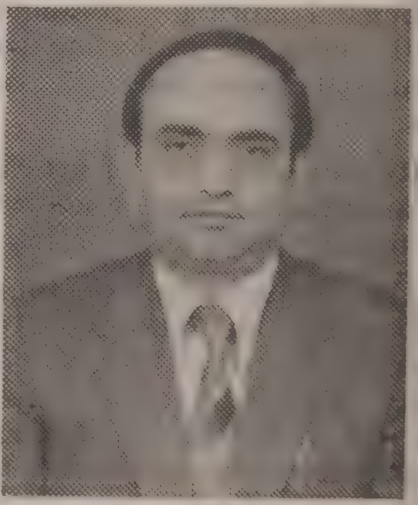
The Agriculture Minister, Rao Birendra Singh informed the Lok Sabha that the Reserve Bank had agreed to consider individual cases of sugar mills for grant of more credit on merit. This will be in addition to the enhancement of their credit limit to 125 per cent of their last year's peak drawings. The Minister said the mills were facing problems of credit and inadequate godown space as a result of record sugar production during the current year. He said the factories had a combined storage space of 55.6 lakh tonnes against the peak level stocks of 53.2 lakh tonnes as on June 7.

Names in the News

Mr K.G.K. Murthy, took charge as Chairman and Managing Director of the Andhra Bank on April 17, 1982. He joined in 1961 and till recently he was the Executive Director of the bank.

Mr K.G.K. Murthy

Mr B. Ratnakar, present Executive Director of Canara Bank, has been appointed as its Chairman and Managing Director and he happens to be the youngest Chairman of Canara Bank in its 75 years history.



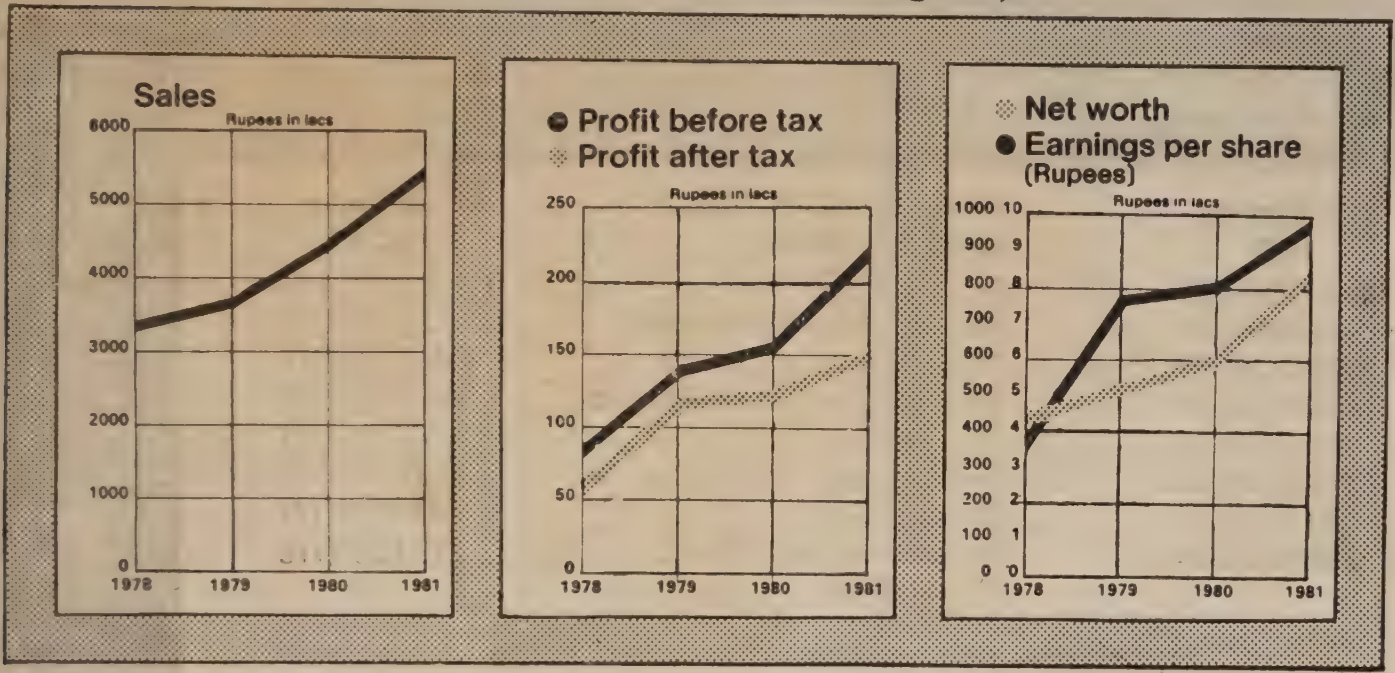
Mr B. Ratnakar

Best & Crompton:

"Energy conservation engineering and development of new sources of energy are both being given high priority in our plans for the 80's."

Chairman M K Kumar in his review of 1981.

Performance (in lakh rupees)



Profits up by 43% in one year

Other windows to the future

- "Recent trends in project engineering indicate that more and more customers require turnkey offers... Competition from international contractors is increasing each year. To successfully compete in such an environment, we have to upgrade our project management activities. This matter is receiving the highest priority."
- "For ensuring long-term growth... a plan to upgrade technology by associating with international firms..."
- "In view of the increasing emphasis for self-reliance in defence requirements, we are expanding our production facilities to meet defence needs."
- "Further steps to strengthen the capital base of the company and reduce dependence on short-term loans are now under consideration."

Excerpts from the Chairman, Mr M K Kumar's review of the Company's performance in 1981.

Best Crompton

Best & Crompton Engineering Ltd
29, Rajaji Salai, Madras 600 001

OBM 7606 A

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They weren't just looking for another bank. They were looking for the expertise and experience that could service all their requirements. In Canara Bank they found it. Our 106 lakh clientele trusted us to share their ambitions and we show them results to be proud of. Year after year.

In 1981, our Platinum Jubilee Year, our performance touched new heights, as the highlights will show —

Deposits of Rs.2,546 crores registering a growth rate of 21.3%.
Advances to priority sectors up by Rs.126 crores to Rs.514 crores.
Agricultural finance up by Rs.44 crores to Rs.212 crores.
SSI finance up by Rs.43 crores to Rs.187 crores.
31% increase in loans under the DIR scheme.
3 new Regional Rural Banks sponsored.
Disbursal of credit in lead districts Rs.85 crores as against a commitment of Rs.45 crores.
26.4% growth in foreign business turnover to reach Rs.1,220 crores.
Non-resident deposits up to Rs.109 crores.

31st December 1980		STATEMENT OF POSITION Capital and Liabilities		31st December 1981
Rs 5,00,00,000		Capital (paid up)		Rs 5,00,00,000
10,00,00,000		Reserve funds & other reserves		12,50,00,000
2099,05,76,838		Deposit & other accts.		2545,80,65,917
51,01,23,237		Borrowing from Banks & Agents etc.		70,88,73,406
41,06,87,844		Bills Payable		29,49,50,026
124,84,42,982		Bills for collection per contra		133,72,16,368
39,17,22,472		Other liabilities		47,99,21,172
230,31,57,606		Acceptances, Endorsements etc. per contra		229,15,96,776
	4,25,64,948	Profit for the year	4,90,76,213	
	2,00,00,000	Less transferred to Reserve Fund	2,94,00,000	
	2,00,00,000	Transferred to Contingency	1,70,00,000	
25,64,948		Balance transferred to Central Government		26,76,213
2600,72,75,927				3074,82,99,878

31st December 1980	Property and Assets	31st December 1981
Rs 356,24,49,074	Cash in hand & with banks	Rs 435,06,88,062
2,00,00,000	Money at call and short Notice	2,05,00,000
601,16,53,662	Investment in Govt and other Securities	694,47,33,217
1172,29,08,615	Advances	1448,60,87,555
124,84,42,982	Bills for collection per contra	133,72,16,368
230,31,57,606	Acceptances, Endorsements etc. per contra	229,15,96,776
2,91,69,597	Premises	3,98,09,743
9,71,90,496	Furniture & Fixtures	11,97,05,936
101,20,72,949	Other Assets	115,77,55,286
2,30,946	Non-banking Assets	2,06,935
2600,72,75,927		3074,82,99,878

CANARA BANK

the true measure of service—growth

maa(S) CB 3b

COMPANY AFFAIRS

l Response for lior Rayon Bonds

LIOR RAYON convertible s issue for non-resident ns and persons of Indian n resident abroad has ved overwhelming res- e from Middle East and h East Asian countries.

e company had reserved '50 bonds of Rs 160 aggregating Rs 7.50 crore referential basis to non- ent Indians against which s already received appli- ns for more than Rs 7.50 . The issue for public cription opened on July 14.

bay Silk Mills Skips

mbay Silk Mills has re- d poor performance for ear 1981 and the company skipped the equity divi- .

espite increase in turnover Rs 1.72 crore to Rs 2.53 , the company has in- d a gross loss of Rs 3.46 as against a gross profit s 3.45 lakh in the previous . After providing for eciation at Rs 4.33 lakh 2.26 lakh), the company made a net loss of Rs lakh against a net profit s 1.19 lakh in the preced- year.

ccording to the manage- t, working has been ad- ely affected mainly due to inuous rise in the costs of e raw materials and other ts.

n Mills

e working of Swan Mills adversely affected during current year, mainly due ix months old textile strike Maharashtra.

evealing this at the annual general meeting of the company recently, Chairman, Mr J.P. Goenka said that sales during the first five months were lower at Rs 11.30 crore as compared to Rs 25.76 crore during the corresponding period last year. The mill had incurred a loss of Rs 40 lakh per month during the strike period. The company had export orders worth nine crores of rupees on hand.

Replying to the shareholders queries for raising the funds for implementation of the modernisation programme, Mr Goenka said that question of issue of convertible bonds will be considered after the normal returns arising out of the present textile strike.

Reed Relays and Electronics

Reed Relays and Electronics India Ltd, Madras has successfully concluded a five year agreement with the well known UK firm Flight Refuelling Limited for the manufacture and export of all types of Form "A" reed switches which are widely in use in the western world. The agreement also envisages transfer by the British firm of all equipments required by the Indian company for increasing their production to meet the huge demand obtaining for their British principals. As a result customers of Flight Refuelling Electronics will henceforth receive reed switches manufactured in India and supply to their customers in England and Europe. This is claimed to be a big break-through for any Indian manufacturer of sophisticated electronic equipment since this commits them to comply with very rigorous quality and reliability tests obtaining in the UK.

Giving details at a press conference in Madras, Mr A.D. Dunlop of Flight Refuelling, UK said that the Indian firm would be able to export four to five million reed switches per annum earning nearly rupees seventy lakhs of foreign exchange. Mr Dunlop said despite the fact that India had entered the electronics field rather late they are progressing well.

FR Electronics customers in Western hemisphere will now be receiving reed switches manufactured in India and these products will be designed into other high quality and reliability products.

There is an existing sales agreement between Flight Refuelling Electronics Ltd, and Reed Relays and Electronics India Ltd, for the export and sale of all types of reed relays manufactured in India. This is in addition to the new agreement that is being signed.

The agreement envisages manufacture of other new products which will be developed by FR Electronics in the future. Under the Reed Switch agreement, it is expected that 4 to 5 million reed switches per annum would be exported to FR Electronics, for sale in Europe and UK. Upto date, RRE has exported more than 2 million reed switches to UK and have orders for execution to the tune of Rs 42 lakhs to be despatched in the next 4 to 6 months.

The products manufactured by the company will be used in telecommunication industries, electronic instrumentation, computer, computer products and other sophisticated new products.

Laxmi Automatic

Laxmi Automatic Loom Works has skipped the equity dividend for the year 1982.

The company has earned a profit before depreciation of Rs 91.77 lakh out of which, after providing for depreciation of Rs 44 lakh balance profit works out at Rs 47.77 lakh out of which a sum of Rs 42.33 lakh has been provided for previous year's depreciation, leaving a balance of Rs 5.44 lakh.

Alkali and Chemicals

The profit of the Alkali and Chemicals Corporation of India Ltd has amounted to Rs 68 lakh for the half-year ended March 1982 against a loss of Rs 54 lakh in the corresponding period last year. After providing Rs 99 lakh (same) for depreciation and Rs 220 lakh (Rs 203 lakh) for interest there is a loss of Rs 251 lakh before tax. A sum of Rs 1 lakh (Rs 3 lakh) has been transferred from development rebate reserve. Sales were shown at Rs 3466 lakh (Rs 2971 lakh). The sales increased by 17 per cent over the corresponding period last year. Sales of the polyethylene, paints, pharmaceuticals and rubber chemicals registered increases of 21 per cent, 16 per cent, 36 per cent and 7 per cent respectively.

Ceramics (India) Ltd

Ceramics (India) Ltd, a new company entered the capital market on July 21, 1982 with an issue of 490,000 equity shares of Rs 10 each at par.

The paid-up and subscribed capital amounts to Rs 51 lakh. The entire present issue of 490,000 equity shares of Rs 10 each has been offered for public subscription. The entire public issue has been fully underwritten.

The company is promoted by Mr T.R. Swaminathan, Mr Mohan Gidwani and Mr T.R. Ramesh of the Simplicity Group.

The company is setting up a project in Bhiwadi Industrial Area, Dist. Alwar in Rajasthan, a notified backward area for the manufacture of 5500 tonnes per annum of ceramic glazed wall and floor tiles. The company has obtained DGT & D registration for the capacity.

The project is located in a notified backward area of Rajasthan. Hence, the company will be eligble for tax benefits under Section 80HH of the Income-Tax Act, 1961 and concessional rates of interest from financial institutions.

Shriram Star

Shriram Star Services Ltd, a joint venture of Shriram Fibres and Star Industrial and Textile Enterprises, has made profit during the very first year of its operation ending May 31, 1982.

The company has signed a contract valued at Rs 20 lakh for rendering technical consultancy services to a textile processing house in Bangkok for a period of seven years.

More assignments in the areas of technical and management services, preparation of project/feasibility reports, transfer of technology to developing countries are under finalisation.

Denis Chem Lab in Capital Market

Denis Chem Lab Ltd, a new company, entered the capital market on July 21, 1982 with a public issue of 210,000 equity shares of Rs 10 each for cash at par.

The subscribed and paid up capital is Rs 12 lakh. The total issue is for 230,000 equity shares of Rs 10 each. Out of this, 20,000 shares are secured for allotment to promoters, Directors, their friends and associates. The remaining shares are offered for public subscription.

The company has been promoted by two industrialists and two technocrats namely Mr L. Bhagubhai, Mr D.B. Patel, Mr H.A. Patel and Mr H.C. Patel.

The immediate object of the company is to set up a plant to manufacture 30 lakh bottles per annum of various intravenous transfusion solutions like dextrose, sodium chloride and their combination solutions, multiple electrolyte solutions, diuretics, amino acids, etc. at Chhatral, Taluka Kalol, Mehsana district in Gujarat. The company has registered itself with Directorate General of Technical Development (DGTD), New Delhi, for manufacturing 75 tonnes per annum of bulk drugs (IP) and 40 lakh bottles per year of intravenous transfusion solutions.

The total cost of the project is estimated at Rs 97.5 lakh. This is proposed to be financed from share capital (Rs 35.0 lakh), cash subsidy (Rs 10.9 lakh) and term loans (Rs 51.61 lakh).

Indian Cable Co Ltd

The net profit before taxation of the Indian Cable Co Ltd has amounted to Rs 4.04 crore for the year ended March 1982 against Rs 4.24 crore in the previous year. Depreciation absorbs Rs 94.12 lakh (Rs 67.35 lakh) after providing the estimated tax liabilities of Rs 1.99 crore (Rs 2.62 crore), the net profit after taxation is Rs 2.06 crore (Rs 1.62 crore). A sum of Rs 3.92 lakh (Rs 12.70 lakh) has been transferred from development reserve. The taxable ordinary dividend of 17 per cent has been maintained, absorbing Rs 1.07 crore. Allocations include Rs 41.60 lakh (Rs 4.35 lakh) for investment allowance reserve and Rs 57.94 lakh (Rs 60.57 lakhs) for general reserve. Exports rose from Rs 2.04 crore to Rs 5.44 crore. Sales including exports were shown at Rs 68.24 crore (Rs 53.61 crore), an increase of 27.29 per cent.

Maheshwari Mills

The Board of Directors of Maheshwari Mills Ltd, Ahmedabad, have recommended payment of 24 per cent dividend on equity shares on the enhanced share capital of the company.

They have also decided that the company would enter the capital market with public issue of 96,000 secured partially convertible debentures of Rs 25 each at par bearing an interest at 13.5 per cent per annum on right basis to the existing shareholders in the ratio of one debenture for every two equity shares.

The issue would entitle the buyer for one equity share at par within a year from the date of allotment of debenture, which could be redeemable at the end of the year in five equal annual instalments.

Seshasayee Paper

Seshasayee Paper and Boards Limited has maintained equity dividend at 12 per cent subject to tax for the year ended March 31, 1982.

Although production and sales were almost the same as in the previous year, the net profit after providing for interest and depreciation has more than doubled from Rs 69.79 lakh in 1980-81 to Rs 154.63 lakh in 1981-82.

The Directors state that the improvement in profitability was made possible by slightly higher production and reduced consumption of furnace oil..

Out of the available surplus, a sum of Rs 126 lakh has been transferred to investment allowance reserve and a sum of Rs 4 lakh to special reserve, leaving a balance of Rs 65.85 lakh to be carried forward against Rs 75.22 lakh brought in from the previous year.

The draft report of the directors points out that during the year 1981-82, total production represented 98.5 per cent capacity utilisation which is a commendable achievement in the context of infrastructural bottlenecks, particularly in the field of coal and power.

Khandelwal Ferro Alloys

Khandelwal Ferro Alloys Limited has recommended an equity dividend of Rs 18 per share for 16 months period ended April 1982 as against Rs 14 per share for the year 1980.

The company's spokesman recently told newsmen that the turnover for the period was substantially higher at Rs 44.26 crore against Rs 23.85 crore in 1980. The drop in profits was attributed to the
sharp rise in raw materials
power costs and amounted
Rs 5.4 crore.

After providing for t
tion at Rs 83 lakh (Rs
lakh), investment allow
Rs 7.40 lakh (Rs 3.77 la
electricity loans redemp
reserve Rs 2.64 lakh (nil)
depreciation of Rs 36.34
(Rs 24.16 lakh), the net p
for the period stood at
98.03 lakh (Rs 70.10 lakh).

On the exports front, f
manganese and steel t
exports amounted to Rs
crore (nil) and Rs 1.74 c
(Rs 87 lakh), respectively

Hyderabad Allwyn

Hyderabad Allwyn p
poses to manufacture l
commercial vehicles in
laboration with Nissan Mo
Co Ltd.

The Government
already approved the
laboration agreement
the company is going ah
with other formalities for
implementation of the proj
The project is likely to
into commercial product
early in 1984.

Indian Dyestuff

Indian Dyestuff Indust
has reported impro
results for the year en
March 1982 and the Dir
tors have proposed to st
up the equity dividend fr
Rs 13 to Rs 15 per share
sorbing Rs 1.05 crore (
97.50 lakh).

During the year un
review, the net sales h
risen from Rs 47.71 crore
Rs 53.88 crore and the gr
profit marginally higher fr
Rs 3.67 crore. After prov
ing for depreciation at
2.04 crore (Rs 1.99 cro
and investment allowa
reserve at Rs 16.10 la
(Rs 59 lakh), the net pr
works out higher at Rs 1
crore as against Rs 1.08 cr
in the preceding year. Af
adjustments and plough bac
a sum of Rs 1.90 crore (
1.39 crore) is available
appropriations out of wh
proposed equity and p
ference dividends absorb

crore (Rs 1.01 crore). s 50 lakh (Rs 6.70 lakh) been transferred to the al reserve and balance s 31.67 lakh (Rs 32.01 has been taken into and loss account.

ra Cement

dhra Cement Company reported excellent work s for the year ended h 31, 1982 and the Di- rs have proposed to ain the equity divi- of 12.5 per cent of the ged capital.

ring the year under re- sales have risen by 16 ent from Rs 13.54 crore s 15.81 crore and the profit has shot up from 2.92 crore to Rs 3.94 . After providing for de- ation at Rs 68 lakh (Rs akh), for investment al- nce reserve at Rs 65 (nil), the net profit works higher at Rs 2.61 crore as nst Rs 2.30 crore in the ous year. The proposed y dividend will claim 1.87 lakh (Rs 9.52 lakh) sum of Rs 80 lakh (Rs akh) has been transferred eneral reserve.

mu & Kashmir Bank

e year 1981 was another of all round achieve- ts for the Jammu and mir Bank Ltd. The egate deposits of the increased to Rs 222.26 es as at the end of the 1981 from Rs 191.67 es as at the end of the ious year, thus register- an increase of 15.96 per . Credit expansion dur- the year 1981 also regis- d a significant increase. credit deposit ratio he bank which was ex- ionally low in the pre- s year registered an ease during the year under ort. This ratio works out 58.81 per cent as at the of the year 1981. The credit-deposit ratio of bank in the past was g criticised in various ms and, therefore, with ew to exploring avenues credit absorption the bank geared up its machinery at all levels to boost up ratio and make a significant contribution to the development of the economy and for achieving this objective the posts of District Credit & Development Managers were created. The Board decided to re-designate these posts as District Managers in order to make them more effective and responsible for credit absorption, improving customer service and deposit mobilisation.

Credit Expansion

As a result of the above efforts put in, the bank's total credit increased from Rs 61.38 crores as at the end of December 31, 1980 to Rs 130.70 crores as at the end of December 31, 1982, thus registering a growth rate of 112.93 per cent during the year as against 32.58 per cent of the previous year. The expansion of the bank's credit has been mainly in the priority sector. The total lendings of the bank is this sector stood at Rs 66.32 crores at the close of the year 1981 constituting 50.74 per cent of the total advances as against the ratio of 40 per cent to be achieved by banks by 1985 as stipulated by Reserve Bank of India. The bank's advances to small and medium industries increased from Rs 24.20 crores to Rs 43.37 crores as on December 31, 1981.

During the year under report bank's advances under the Differential Rate of Interest Scheme showed an appreciable increase from Rs 13.50 lakhs spread over 826 accounts as at the end of the year 1980 to Rs 41.71 lakhs spread over 2116 accounts at the close of the year 1981.

The bank's profit during the year recorded an all time high growth. The pre-tax profit of the bank during the year 1981 worked out at Rs 5.32 crores as against the last year's figure of Rs 4.91 crores. This remarkable increase in the profitability of the bank has been achieved despite upward revision in the interest rates structure on the deposits of shorter maturities as stated above. The maximum rate of 10 per cent was made payable on the deposits of the maturity of three years and above instead of over five years earlier. The total interest paid on the deposits during the year amounted to Rs 9.40 crores compared to Rs 8.70 crores during the year 1980, while the interest earned on advances during the year amounted to Rs 10.72 crores as against the last year's figure of Rs 4.00 crores.

During the year 1981 the bank's branch network has widened further by the addition of 38 branches including two extension counters which is the highest number of branches ever opened by the bank during any year after 1975. The bank's total number of branches at the end of the year 1981 stood at 250. Of the new branches opened during the year, 27 branches were opened in the rural areaas, 9 in urban and metopolitan centres besides two extension counters.

The Bank started independent foreign exchange operations from July 10, 1981. During the year under report two more branches were designated to transact such business.

Paramount Sinters

Paramount Sinters Pvt. Ltd which went into commercial production in April 1981, achieved its full-rated capacity of 1,250 tonnes per month by December, 1981. During the company's financial year ending June 30, 1982, the company successfully converted 11,000 tonnes of manganese ore fines into sinters which was 1,000 tonnes in excess of the production target for the year. The company earned Rs 23 lakh as conversion charges and helped to conserve manganese ore worth Rs 44 lakh.

Paramount Sinters was set up by a team of technocrats with assistance from the State Industrial and Investment Corporation of Maharashtra (SICOM), Maharashtra Electromelt Ltd (MEL) and financial institutions like the Industrial Development Bank of India and State Bank of India.

Hilton Rubbers to Enter Market

Hilton Rubbers, a running dividend-paying company, is entering the capital market shortly with a public issue of 400,00 equity shares of Rs 10 each and offer of sale of 80,000 equity shares of Rs 10 each, both at a premium of Rs 2.

The company is in the process of setting up a unit at Rai in Sonepat district of Haryana for the expansion of its production capacity of conveyor and transmission belts from 1,250 tonnes to 2,150 tonnes per annum. It is also manufacturing V-belts at its existing unit at Rai with a licensed capacity of 18 lakh pieces per annum. Erection of the plant and machinery is in progress and if all goes well, the new unit will start commercial production in the last quarter of the current calender year. The company hopes to achieve a capacity utilisation of 85 per cent in the first year itself.

The company's track record has been quite impressive with sales rising from Rs 4.05 crores in 1979-80 to Rs 7.52 crores for the 15-month period ended June 30, 1981. Sales are around Rs 7.50 crores for 1981-82 which are likely to go up to Rs 10 crores in 1982-83 and Rs 15 crores the 1983-84. The company has assumed an equity dividend of not less than 12 per cent on the enhanced capital for 1982-83.

Golden Tobacco Co

Golden Tobacco Co is entering the capital market on August 10 with a public issue of 300,000—15 per cent, secured non-convertible debentures of Rs 100 each at par. The issue is being made with the purpose of financing the long-term working capital requirements of the company.

Eacn debenture of the face value of Rs 100 each will be redeemed at a premium of 5 per cent on the expiry of seven years from the date of allotment.

Current Statistics

Wholesale Price Movements

Major Group/Group	Weight in relation to 'All Commodities'	Index Numbers of Wholesale Prices (Base : 1970-71 = 100) Provisional: 3.7.'82 Latest week	26.6.'82 A week ago	5.6.'82 4 weeks ago	Final: 8.5.'82 8 weeks ago	4.7.'81 A year ago	Percentage Variation over: A Week	A month	Two months
ALL COMMODITIES	1,000.00	289.8	287.2	282.2	277.0	282.6	0.9	2.7	4.6
I. Primary Articles	416.67	276.8	273.5	265.2	259.1	265.4	1.2	4.4	6.8
a. Food Articles	297.99	254.2	249.8	239.7	233.2	235.1	1.8	6.0	9.0
b. Non-food Articles	106.21	242.2	241.5	236.9	231.8	243.6	0.3	2.2	4.5
c. Minerals	12.47	1,111.4	1,111.3	1,115.1	1,111.3	1,175.7	Negl.	(–)0.3	Negl.
II. Fuel, Power, Light and Lubricants	84.59	455.2	446.5	446.5	437.2	407.7	1.9	1.9	4.1
III. Manufactured Products	498.74	272.6	271.7	268.4	264.7	275.7	0.3	1.6	3.0
a. Food Products	133.22	272.6	270.6	259.8	243.1	330.1	0.7	4.9	12.1
b. Beverages, Tobacco and Tobacco Products	27.08	215.7	215.7	215.7	215.7	218.4	—	—	—
c. Textiles	110.26	229.2	228.1	227.2	229.3	224.3	0.5	0.9	Negl.
d. Paper and Paper Products	8.51	302.9	300.7	304.6	302.4	271.4	0.7	(—)0.6	0.2
e. Leather and Leather Products	3.85	359.2	359.2	359.2	356.7	374.8	—	—	0.7
f. Rubber and Rubber Products	12.07	304.1	304.1	303.4	303.4	277.7	—	0.2	0.2
g. Chemicals and Chemical Products	55.48	264.6	264.5	264.2	263.9	253.9	Negl.	0.2	0.3
h. Non-metallic Mineral Products	14.15	365.3	361.5	358.2	364.4	291.5	1.1	2.0	0.2
i. Basic Metals, Alloys and Metal Products	59.74	348.7	348.4	347.8	348.6	305.7	0.1	0.3	Negl.
j. Machinery and Transport Equipment	67.18	275.4	275.5	274.9	275.5	261.9	Negl.	0.2	Negl.
k. Miscellaneous Products	7.20	240.7	240.7	241.3	241.3	238.0	—	(—)0.2	(—)0.2
IV. Agricultural Products*	404.20	251.0	247.6	239.0	232.8	237.3	1.4	5.0	7.8

*Derived as a weighted average of I(a) and I(b) Negl. = Less than ± 0.05 per cent.

Source : Office of the Economic Adviser, Ministry of Industry, Government of Ind

Movements in Consumer Prices : 1970-71 to 1982

(Monthly Averages or Calendar Months) (Index Number with Base : 1960 = 1

Year Month	For Industrial Workers: All India*	Calcutta	Bombay	Delhi	Madras	Bangalore	Hyderabad	Ahmedabad	For Urban Non-mannual Employees: All India**	Calcutta	Bombay	Delhi	Madras	Bangalore	Hyderabad
1970-71	186	182	182	199	170	186	189	176	174	170	168	174	175	172	174
1975-76	313	287	300	333	314	332	316	293	277	243	246	273	306	284	283
1976-77	301	297	298	332	288	321	308	281	277	251	255	274	294	286	382
1977-78	324	320	318	358	311	342	337	310	296	265	269	288	311	306	305
1978-79	331	331	325	368	318	339	341	323	306	279	285	303	321	309	318
1979-80	360	351	359	389	350	376	368	348	330	297	315	321	350	343	346
1980-81	401	382	400	426	388	434	406	376	369	331	347	352	390	381	388
1981-82	451	414	460	472	446	506	465	441	413	367	393	395	439	428	439
April, 1981	427	397	435	448	412	472	438	406	391	348	372	372	414	405	411
May, 1981	433	399	442	453	420	483	446	418	396	353	377	377	420	411	422
June, 1981	439	406	450	461	428	485	453	427	401	358	380	383	426	414	426
July, 1981	447	408	459	476	452	490	465	438	411	364	387	397	434	419	438
August, 1981	454	412	462	480	457	505	465	441	417	368	394	408	440	427	441
September, 1981	456	423	458	480	455	508	473	444	418	372	396	403	441	430	442
October, 1981	460	429	466	481	454	518	479	446	420	376	400	402	445	435	448
November, 1981	462	26	470	480	463	523	480	447	421	375	401	401	450	436	447
December, 1981	460	426	469	474	461	523	476	443	420	374	401	398	450	439	450
January, 1982	459	419	468	476	454	524	468	460	421	374	403	396	451	441	449
February, 1982	458	413	469	474	453	520	470	465	420	371	403	398	449	442	448
March, 1982s	457	416	468	484	448	516	462	459	423	374	403	408	447	440	447
April, 1982	459	422	473	493	447	514	465	461	425	372	414	411	445	442	450
May, 1982	462	430	479	495	444	517	470	466	428	375	423	418	464	445	451

*Based on indices of 45 centres.

**Based on indices of 45 cities and towns.

Source : (i) Labour Bureau, Ministry of Labour, Government of India, Si

(ii) Central Statistical Organisation, New Delhi..

Statement of Affairs of the Reserve Bank of India : 1970-71 to 1982
(Issue and Banking Departments Combined)

(Rs. Crores)

n last l y/ lay	LIABILITIES					Total Liabilities/ Assets (1+2+3) Total 5 to 11)	ASSETS								
	Notes in Circulation	Deposits			Other Liabilities		Foreign Exchange Assets[1]	Gold Coin and Bullion	Government of India Rupee Securities	Loans and Advances			Bills Purchased and Discounted	Investments	Other Assets[3]
		Total	Of which : Central and State Governments	Scheduled Commercial Banks						Total	Of which : State Governments[2]	Scheduled Commercial Banks			
	(1)	(2)	(2a)	(2b)	(3)	(4)	(5)	(6)	(7)	(8)	(8a)	(8b)	(9)	(10)	(11)
-71	4,212	553	264	207	689	5,454	350	183	3,714	958	250	308	38	113	98
-76	6,535	2,913	671	607	2,137	11,585	1,518	183	6,105	2,053	304	798	739	444	544
-77	7,743	3,664	388	2,146	2,213	13,620	2.768	188	6,500	2,430	327	967	531	215	988
-78	8,602	6,287	2,771	1,674	2,927	17,816	3,889	193	6,645	2,106	402	331	2,809	1,077	1,096
-79	10,267	4,876	723	2,634	3,222	18,365	4,655	219	7,366	2,352	170	546	1,675	852	1,246
-80	11,820	5,863	710	3,634	4,169	21,852	4,782	225	8,891	2,780	191	739	2,516	1,255	1,404
-81	13,733	6,520	789	4,092	5,108	25,361	4,320	226	12,238*	3,504	599	589	3,162	465**	1,446
-82	14,752	7,249	276	4,883	6,386	28,386	2,838	226	14,841*	5,484	1,906	831	3,191	456**	1,352
l, 1982	15,556	8,813	1,432	4.950	6,397	30,767	3,308	226	15,725*	5,904	2,521	638	3,771	361**	1,472
1982	15,841	7,943	694	4,838	6,599	30,384	3,144	226	15,304*	5,769	2,458	580	4,146	366**	1,429
, 1982	16,031	10,033	2,835	4,771	6,611	32,675	3,040	226	16,225**	5,827	2,518	572	5,555	364**	1,440
ar ago	14,436	6,044	71	4,517	5,487	25,967	3,932	226	13,467*	3,656	1,042	564	2,826	389**	1,471

[1] Foreign securities *plus* balances held abroad. The latter includes cash, short term securities and fixed deposits. [2] Including temporary overdrafts. [3] Including rupee coins and Government of India one rupee notes. *Including *ad-hoc* treasury bills. **Includes investments in foreign shares/bonds but excludes those in rupee securities.

All Scheduled Commercial Banks (including Regional Rural Banks)—Business in India : 1977-78 to 1982

(Amounts in Rs. Crores)

n Last Friday/ Friday	Deposits			Borrowings from Reserve Bank[1]	Cash in hand and Balances with Reserve Bank[1]	Investments[2]	Bank Credit[3]		Important Ratios (In per cent)			
	Demand	Time	Aggregate (1a+1b)				Total	Of which: Food Credit	Cash (3) to Deposits(1)	Investments(4) to Deposits(1)	Credit(5) to Deposits(1)	Food credit(5a) to Total Bank Ctedit(5)
	(1a)	(1b)	(1)	(2)	(3)	(4)	(5)	(5a)	(6)	(7)	(8)	(9)
-78	4,872	17,340	22,212	331	2,143	7,897	14,939	1,984	9.65	35.55	67.26	13.28
-79	5,826	21,190	27,016	546	3,191	9,109	17,795	2,210	11.81	33.72	65.87	12.42
-80	6,643	25,116	31,759	739	4,250	10,624	21,537	2,100	13.38	33.45	67.81	9.75
-81	7,798	30,190	37,988	589	4,858	13,186	25,371	1,759	12.79	34.71	66.79	6.93
-82	8,494	35,256	43,750	831	5,685	15,122	29,599	2,131	12.99	34.56	67.65	7.20
, 1982	8,840	36,585	45,425	572	5,681	16,763	29,988	2,824	12.51	36.90	66.02	9.42
2, 1982	8,743	36,786	45,529	572	5,699	16,571	30,445	2,910	12.52	36.40	66.87	9.56
ar ago	8,097	32,465	40,562	570	5,321	14,749	26,966	2,235	13.12	36.36	66.48	8.29
ing			**Variations**—Absolute (Amount in Rs. Crores)						*Incremental (or Marginal) Ratios*			
3-79	954	3,850	4,804	215	1,048	1,212	2,856	226	21.82	25.23	59.45	7.91
9-80	817	3,926	4,743	193	1,059	1,515	3,742	(—)110	22.33	31.94	78.90	(—)2.94
0-81	1,155	5,074	6,229	(—)150	608	2,562	3,834	(—)341	9.76	41.13	61.55	(—)8.89
1-82	696	5,066	5,762	242	827	1,936	4,228	372	14.35	33.60	73.38	8.80
est (Full) Year	646	4,321	4,967	2	378	1,822	3,479	675	7.61	36.68	70.04	19.40
March to July 2, 1982	249	1,530	1,779	259	14	1,449	846	779	0.79	81.45	47.55	92.08
responding riod Last Year	299	2,275	2,574	(—)19	463	1,563	1,595	476	17.99	60.72	61.97	29.84
					Variations— Percentage							
8-79	19.6	22.2	21.6	65.0	48.9	15.3	19.1	11.4				
9-80	14.0	18.5	17.6	35.2	33.2	16.6	21.0	(—)5.0				
0-81	17.4	20.2	19.6	(—)20.3	14.3	24.1	17.8	(—)16.2				
1-82	8.9	16.8	15.2	41.1	17.0	14.7	16.7	21.1				
est (Full) Year	8.0	13.3	12.2	0.4	7.1	12.4	12.9	30.2				
d March to July , 1982	2.9	4.3	4.1	(—)31.2	0.2	9.6	2.9	36.6				
responding Period Last Year	3.8	7.5	6.8	(—)3.2	9.5	11.9	6.3	27.1				

[1] As available in the Reserve Bank of India records. [2] In Government and 'other approved' Securities. [3] Effective July 27, 1979, the data are inclusive of *all* participation certificates (PCs) issued by Scheduled Commercial banks, i.e. to other banks *and* financial institutions. Prior to this date, the data were inclusive of PC's issued to *banks only and not financial institutions.*

M_3—Its Components and Sources: 1977-78 to 1982

(Rs Cro

Last Friday Friday	COMPONENTS Currency with the Public	Deposits of the Public Demand Deposits with Bank	Time Deposits with Banks	Other Deposits with the Reserve Bank	Total (2a+2b+2c)	M_3 (1+2) (4+5+6+7—8)	SOURCES Net Bank Credit to Government	Bank Credit to Commercial sector*	Net Foreign Exchange Assets of the Banking Sector	Government's Currency Liabilities to the Public	Les Ban Sect Net Non-mon Liabi ties**
	(1)	(2a)	(2b)	(2c)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1977-78	8,631	5,687	18,518	70	24,275	32,906	13,727	21,222	4,445	593	7,0
1978-79	10,220	6,843	22,632	166	29,641	39,861	16,239	25,350	5,338	604	7,6
1979-80	11,699	7,857	26,845	391	35,093	46,792	20,101	30,630	5,295	592	9,8
1980-81	13,461	9,396	32,046	411	41,853	55,314	25,806	36,320	4,682	609	12,1
1981-82	14,514	10,185	37,601	168	47,954	62,468	30,903	42,767	2,661	635	14,4
June 18, 1982 (Latest available)	15,836	10,191	38,623	126	48,940	64,776	33,452	43,305	2,376	635	14,9
A year ago (June 19, 1981)	14,287	9,435	34,108	163	43,706	57,993	28,025	37,302	4,235	625	12,1
During				Variations—Absolute (Amounts in Rs. Crores)							
1978-79	1,589	1,156	4,114	96	5,366	6,955	2,512	4,128	893	11	5
1979-80	1,479	1,014	4,213	225	5,452	6,931	3,862	5,280	(—) 43	(—) 12	2,1
1980-81	1,762	1,539	5,201	20	6,760	8,522	5,705	5,690	(—) 613	17	2,2
1981-82	1,053	789	5,555	(—) 243	6,101	7,154	5,097	6,447	(—)2,021	26	2,3
Latest (Full Year)	1,549	756	4,515	(—) 37	5,234	6,783	5,427	6,003	(—)1,859	10	2,7
End March to June 18, 1982	1,322	6	1,022	(—) 42	986	2,308	2,549	538	(—) 285	—	4
Corresponding Period 1981	826	39	2,062	(—) 248	1,853	2,679	2,219	982	(—) 447	16	9
				Variations—Percentage							
1978-79	18.4	20.3	22.2		22.1	21.1	18.3	19.5	20.1		
1979-80	14.5	14.8	18.6		18.4	17.4	23.8	20.8	(—) 0.8		
1980-81	15.1	19.6	19.4		19.3	18.2	28.4	18.6	(—) 11.6		
1981-82	7.8	8.4	17.3		14.6	12.9	19.8	17.8	(—) 43.2		
Latest (Full) Year	10.8	8.0	13.2		12.0	11.7	19.4	16.1	(—) 43.9		
End March to June 18, 1982	9.1	0.1	2.7		2.1	3.7	8.2	1.3	(—) 10.7		
Corresponding Period 1981	6.1	0.4	6.4		4.4	4.8	8.6	2.7	(—) 9.5		

*Includes Public Sector Enterprises. **Other than Time Deposits.

Indian Organised Industrial Production : 1971-1982

(Monthly Averages or Calendar Months) (Index Number with Base: 1970 =

Year/Month	Source Classification General Index (Crude)	Mining and Quarrying	Manufacturing	Electricity	Use-based Classification* Basic Industries	Capital Goods Industries	Intermediate Industries	Consumer Goods Industries Total	Durable Goods	Non-durable Goods	Input-based Classification* Agro-based Industries	Metal-based Industries	Chemical-based Industries	Sectoral Indicator Transport Equipment & Allied Industries	E O p
Weight	100·00	9·69	81·08	9·23	32·28	15·25	20·95	31·52	3·41	28·11	33·68	21·93	12·86	10·79	1
1971	**104·2**	101·0	104·2	107·2	104·6	105·4	104·0	103·4	110·8	102·6	100·5	105·2	111·9	102·9	1
1976	**131·4**	136·8	128·7	160·0	147·5	143·8	122·2	118·4	120·0	118·2	112·2	135·4	151·0	132·6	1
1977	**138·3**	139·9	135·5	165·4	155·0	151·7	125·8	126·0	137·0	124·6	114·8	144·8	161·4	130·9	!
1978	**147·8**	142·1	144·4	183·6	162·4	156·8	135·8	138·3	147·9	137·1	124·5	154·3	177·8	132·0	1
1979	**149·5**	148·5	144·6	193·0	166·2	161·0	139·6	135·3	156·8	132·7	121·6	157·7	183·2	134·6	1
1980	**150·6**	144·2	146·1	197·3	164·6	168·4	140·7	135.9	162·3	132·7	125·3	162·2	178·8	136·6	1
1981	**164.6**	170·4	157 6	220.4	188. 2	181·3	146·5	146·2	162.2	144·6	133·0	171·6	203·0	149·8	1
October, 1981	**160·4**	166 0	152.0	228.7	190·0	175·5	147·0	140·0	154·2	138·3	125.9	165·8	216·4	145.2	1
November, 1981	**168·2**	178 0	161·3	218 8	192·4	185 9	148·6	151·9	167·8	150 0	136·3	175·6	215·5	153·4	2
December, 1981	**184 0**	198 0	176 1	238.0	205·9	199·1	156. 3	163·3	177·5	165·4	148·4	186.5	230·1	165·6	2
January, 1982	**178.6**	200·0	169·9	232·6											
February, 1982	**165.9**	192·0	157·7	210·7											
March, 1982	**184·3**	217.0	174.8	233.5											
A year ago†	**176. 2**	201·0	167·6	225·9	185·7	193·7	146·5	157·8	175·6	155·6	143·6	183·3	197·0	151·1	1

Note:—Figures for the *last three* months are provisional and *generally* subject to revision. *Derived series (R.B.I. classification). Revisions are c out in the group indices as and when advised by the C.S.O. @Consists of coal and lignite, petroleum crude and products, and electricity.

†Figures in this row relate to that month in the previous year corresponding to the latest month for which data are presented.

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Food Science & Technology
Information Service
18 AUG 1982
C.F.T.R.I., MYSORE

What Price Food Subsidies

GOVERNMENT has doled out several spoonfuls of bitter medi- to the public in its new wheat price policy. The issue price heat from Central stocks has been raised from Rs 145 to 60 per quintal, while roller-flour mills now pay Rs 185 for grain. This means an increase of 15 paise per kilo for at at the ration shop, while bread, biscuits, suji, maida and will rise much more in price. Will this nasty medicine make patient any better?

he express aim of the new prices is to reduce the food sub- This is in keeping with the Sixth Plan provisions. The get for 1981-82 aimed at a subsidy of Rs 650 crores, but actual figure turned out to be Rs 700 crores. This year's get again aimed at Rs 700 crores, but official sources say the al figure was tending towards Rs 770 crores. The new levies bring this down to Rs 665 crores.

price increase was inevitable after the Government's deci- to increase the wheat procurement price by Rs 12 per quin- But the increase in issue price has been much higher, at 5 per quintal. This is partly on account of higher charges ransport and imported grain. But at least Rs 2 per quintal esents a reduction of the food subsidy. The price for roller mills has been hiked by as much as Rs 40 per quintal. these mills consume upwards of 3 million tonnes per year, will fetch the Government a great deal of money. It also s possible that they will in future try to get wheat from the market rather than the Government, in North India at any The price of Kalyan wheat in centres like Moga, Karnal Hapur is barely Rs 150 per quintal. Even if we add mandi ges, sales tax, gunny packing and transport, flour mills in north-west should be able to get supplies at a price much than Rs 185 per quintal.

India has suffered drought conditions in many States this year, and the demand for wheat is bound to shoot up. Last year a little under 7 million tonnes of wheat was pushed out through the public distribution system. It was more than 8 million tonnes two years previously, but there has recently been a cut in rations to conserve wheat. Now the drought will put further pressure on ration shops. It is inevitable that substantial amounts of wheat will have to be imported, perhaps as much as four or five million tonnes. It would be politic to contract these supplies immediately. World wheat prices as well as freight rates are reigning at extremely low rates. The landed cost of imported grain at southern ports may be no more than the new issue price of Rs 160 per quintal. We also need to contract for edible oil, where prices are in real terms the lowest for a decade, with palm oil dropping 30 per cent in price over the last year.

For some years now, we have seen procurement prices and issue prices chasing each other relentlessly upwards. Have agricultural prices become a vehicle for inflation? The answer is not clear cut. On the one hand it seems certain that reasonable farm prices are needed to encourage output. On the other hand high prices hit the poor and cause social unrest. It would seem that there is now a case for a freeze on procurement prices, at least for a year. There has been no hike in the price of diesel oil or fertilisers this year, and some pesticides are cheaper. In the last two years, these rates rose so sharply that there was a watertight case for increasing procurement prices, despite their inflationary effect. There is no longer any reason to do so.

To fight the drought, we will need to double our food-for-work-programme. The programme this year originally aimed at creating 350 million man-days of work. If we raise this to 700 million man-days, we need to have a strategy that will provide more food for workers at minimal cost. The best way of doing this is through the import-export mechanism. We have in recent years been pushing more and more rice through the public distribution system, with offtake going up from 1.8 million tonnes in the mid-1970s to well over six million tonnes last year. In fact rice is a luxury cereal, the highest priced cereal in the world. If we export one tonne of rice, it will yield enough cash to buy two tonnes grain. Even after taking into account shipping costs, one t of rice exports will finance two tonnes of jowar imports. must export rice and import coarse grain, which can then be tributed in the food-for-work programme. We have erred vously by subsidising rice and hence encouraging its consu tion. It would be far better to abolish the rice subsidy or make a profit on it, so as to release more rice for export.

The Annual Plan

THE 1982-83 Plan, presented to Parliament this week, puts the public sector outlay during the year at Rs 21,082 crores. Ostensibly this falls short of the provision of Rs 21,137 crores announced by the Union Finance Minister in February while presenting this year's central budget. This, however, is not so. The difference of Rs 55 crores is accounted for by the rural electrification programmes, state-wise details of which are not yet available and are hence excluded from overall allocations. Including this lumpsum provision, the states' share in the Plan outlay comes to Rs 9,688 crores, of the centre to Rs 11,000 crores and of the union territories to Rs 394 crores. The step-up in the Plan for the centre from the budgetary provision of Rs 8,619 crores last year is as much as 27.6 per cent. The increase in outlay in the case of states and union territories is about 14.6 per cent from Rs 8,799 crores. Disproportionate scaling up of the central Plan has been occasioned by the need for markedly raising the tempo of development in the field of energy. The overall increase in outlay this year works out to 21 per cent over the budgeted outlay for the 1981-82 Plan which was higher by 20 per cent over the previous year.

It remains to be seen how far the actual expenditure this year will exceed the budgetary provision as has happened in the past. Last year the budgeted figure of Rs 8,619 crores for the central Plan was exceeded according to the revised estimate by Rs 624 crores. The provision under the Plans of the states and union territories was surpassed by Rs 155 crores. Compared with the revised estimate of the outlay incurred last year, this year's provision is higher just by 16.2 per cent. The outlay this year may not exceed the budgetary provision any markedly as the rate of inflation indisputably has decelerated a great deal. The 1982-83 Plan, thus, cannot be styled as a very ambitious endeavour.

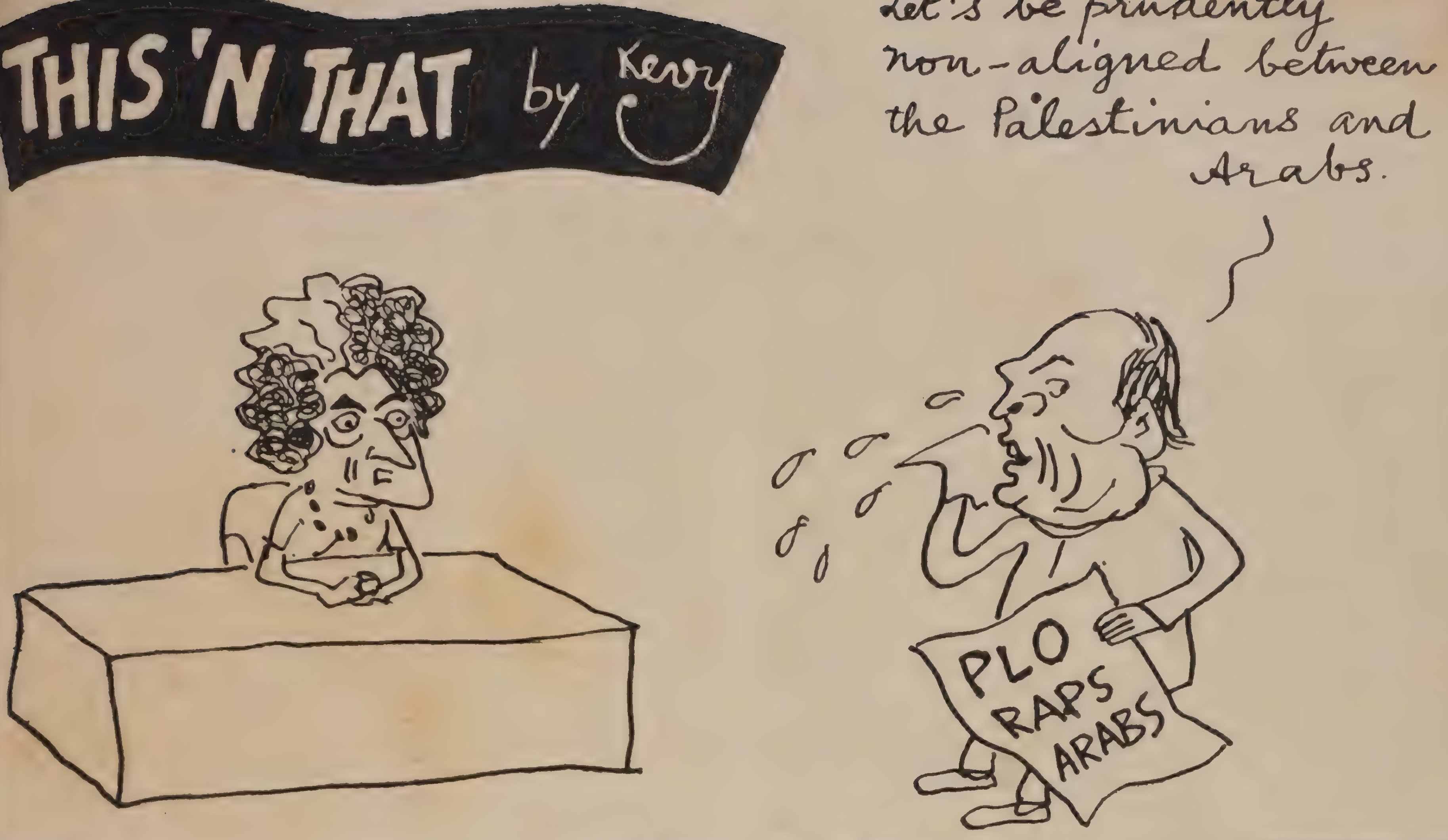
The Plan obviously could not be enlarged to a greater dimension primarily because of stringent financial resources of states. In the case of West Bengal and a couple of other states, the Plan size is just about the same as last year. West Bengal's Plan has yet to be firmed up through discussions with the State Government. It has been possible to raise the central Plan outlay substantially due to more serious additional resource mobilisation effort, expectations of higher receipts under market loans and small savings, larger inflow of net external assistance and improved contributions by central commercial undertakings. The additional revenue under these heads far outstrips the lower estimates of receipts from balance from current revenue, miscellaneous capital receipts and the proposal to scale down deficit financing significantly. The states too are making greater effort at mobilisation of additional resources through taxation and market borrowings, but their revenues are expected to be eroded considerably by the losses on their commercial undertakings. The estimates of balances available from current revenues in their case are also lower. In aggre the current year's overall Plan is to be financed by dom resources, including deficit financing, to the extent of Rs 1 crores and through external assistance to the tune of Rs crores.

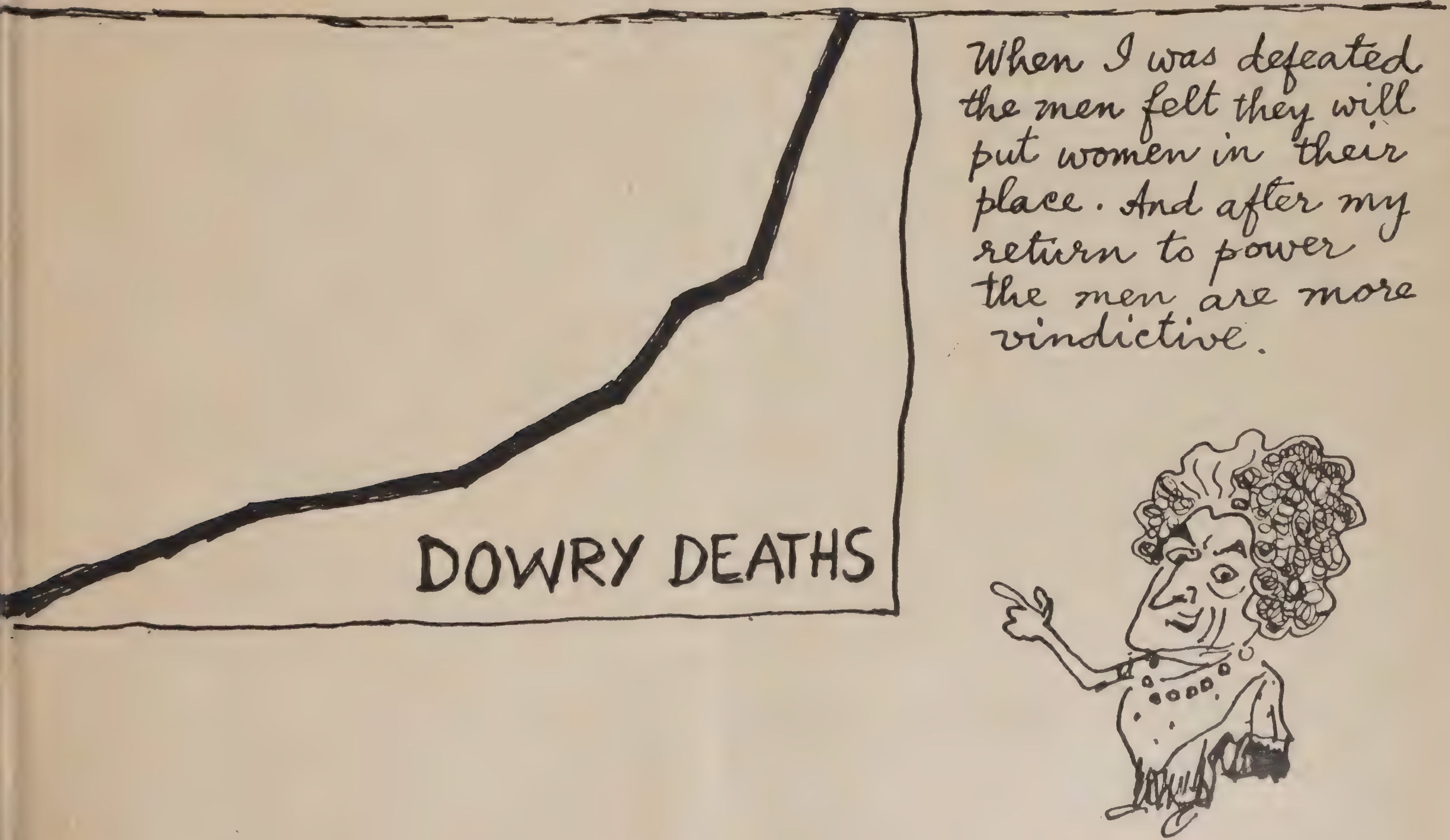
In line with the overall strategy of the sixth Plan, this y Plan lays great emphasis on infrastructure development cluding energy. More than half of the public sector outlay year has been earmarked for the energy, transport and ir tion sectors. The energy sector accounts for as much o as Rs 6,732 crores, as against the last year's budgetary p sion of Rs 4,822 crores and revised estimate of Rs 5,047 cr The transport sector has been allocated Rs 2,528 crores against Rs 2,294 crores and Rs 2,479 crores, respectively. allocation for irrigation and flood control is Rs 2,228 crore against Rs 2,007 crores and Rs 1,949 crores. The allocation the other sectors (figures in brackets are 1981-82 budg provision and revised estimate) are as follows : Agricultur 1,205 crores (Rs 1,043 crores, Rs 1,146 crores); rural deve ment Rs 1,228 crores (Rs 1,019 crores, Rs 1,090 crores); sp area programmes Rs 318 crores (Rs 270 crores, Rs 278 cro industry and minerals Rs 3,038 crores (Rs 2,686 crores, Rs crores); communications Rs 616 crores (Rs 573 crores, Rs crores); science and technology Rs 188 crores (Rs 155 cr Rs 149 crores) social services Rs 2,846 crores (Rs 2,813 cr Rs 2,446 crores). The revised 20-point programme has allocated an outlay of Rs 8,375 crores with fairly ambi physical targets to be attained.

Some of the production targets set (1981-82 likely ach ments in brackets) are: foodgrains 139/141 million to (132/133 m. tonnes); oilseeds 118/120 m. tonnes (115 m. ton sugarcane 180/185 m. tonnes (180 m. tonnes); jute and 8.1/8.4 m. bales (8.2 m. bales); cotton 8.2/8.4 m. bales m. bales); coal 133 m. tonnes (125 m. tonnes), power ge tion 1,400 billion units (1,308 b. units); crude oil 20.98 m. t (16.21 m. tonnes); saleable steel 9.54 m. tonnes (8.8 m. ton aluminium 250,000 tonnes (207,000 tonnes); cement tonnes (21 m. tonnes); petroleum products 33.47 m. t (28.07 m. tonnes); fertilizers 3.6 m. tonnes N (3.1 m. to and one m. tonnes P_2O_5 (0.95 m. tonnes), paper and board 1.35 m. tonnes (1.237 m. tonnes); commercial ve 100,000 nos. (91,100 Nos.), Sugar 8 m. tonnes (8.4 m. to

Credit difficulties and vagaries of weather, of course, make it difficult to attain some of these targets. In a cou cases, for instance, coal, the targets have been revised up recently. As could be expected, in view of stringent resour good deal of stress is being placed on expeditious completi the on-going projects so that the overall growth of 4.5 pe (the same as last year) can be achieved. This, however, not be possible for the above reasons.

THIS 'N THAT by Kevy


Let's be prudently non-aligned between the Palestinians and Arabs.
PLO RAPS ARABS


DOWRY DEATHS
When I was defeated the men felt they will put women in their place. And after my return to power the men are more vindictive.

Economic Analysis

Negotiating the Future

Mahbub ul Haq

THE DEADLOCK in efforts to organize global negotiations on a New International Economic Order is not a cause for pessimism but an invitation to sober reflection. The breakdown was not just over procedures, though that was the way it appeared. The breakdown came because there are still substantive and fundamental differences between the approaches of the North and the South in these negotiations. Unless we honestly face up to these differences, a mere patch-up of procedural wrangles to revive the global negotiations will not achieve any significant results.

The first question we must face is: Why should the North—the industrialized nations—enter into any serious dialogue at all about restructuring the existing international economic order? The South—the deveoping nations—wishes to gain more economic power and participation in international decision-making, but why should the North willingly surrender its present privileged position? Unless there is a convincing answer to this question, North-South negotiations are likely to deteriorate into a ritual and skillful exercise in non-dialogue.

I believe that the only real answer is that change in international structures is inevitable, whether there is a dialogue or not. The real experiment involved in the North-South dialogue is whether the pace of change can be accelerated through common consent, and whether the pains of transition can be eased through orderly negotiations. It is tempting, but totally wrong, to jump from pessimism about the prospects of the North-South dialogue to pessemism about the prospects for change itself. The failure of the dialogue so far will not stem the underlying forces of change: it only means that change will continue to be diorderly and disruptive. The real case for the dialogue is that it can lead to an orderly transition and that bargains can be struck by which all sides gain, though not in equal measure.

What are these underlying forces of change? And why is there a certain inevitability about them? To begin with, there is an urge for liberation—"to end the tyranny of man over man" and of one nation over another. It inspired the movements of political liberation; it is fueling the desire for economic liberation now. The recent major movements in the industrialized nations—for trade unionism, civil rights, women's liberation—were inspired by the same urge for equality of opportunity. The initial casualties in this liberation movement will be national orders within the Third World, many of which are unresponsive to the needs of their own people. The current chaos and uncertainty in many developing countries are merely a prelude to that end.

But the desire for liberation, participation and equity cannot be confined within national borders. It will affect all international relations. If we add to it the strong sense of nationalism generated by political liberation of the Third World, it is clear why economic relations between rich and poor nations—whether at the level of Governments, or multinational corporations, or private individuals—must proceed in a different framework than in the past.

At the same time, certain structural changes are taking place which are lending an air of urgency to the need to evolve new codes of international behaviour. The demographic balance is rapidly shifting against the industrialized nations. Of the net additions to the world population in the next two decades, 90 per cent will be in the Third World. The future markets and labour surplus lie in the South; the accumulating and underutilised capital in the North must come to terms with this reality. The South is also becoming rapidly urbanised. By the year 2000 about 40 cities in the South will have a population of over 15 million each, compared to 16 cities in the North. These exploding cities will provide powerful instruments of change within national orders as well as restless
pressure for international migratic
Another powerful stimulus is t
rising real cost of energy. The co
parative advantage of industrializ
nations in energy-intensive agricultu
and industrial production is fast d
appearing. There will have to be
major structural change in their i
dustrial and trade patterns, enviro
mental concerns and modes of urba
sation, and in the whole concepti
of their life-styles. If we add to tl
picture the rapid emergence of Chi
the entry of more communist countr
into the international market, t
fierce competition from newly indu
trializing countries such as Brazil, t
shifts in economic power within t
industrialized bloc (particularly
favour of Japan and West German
and the major breakthroughs in co
munications, it becomes obvious w
national and international orders w
continue to undergo rapid changes
the next two decades.

These changes are going to be t
large to be handled successfully wi
out proper planning. In the absence
a dialogue, changes will be trauma
abrupt and disorderly. There will
periods of unilateral actions and co
plete breakdown of any internatio
rules. An orderly international dialo
is not essential for change, but it
avoid unnecessary costs which
arise otherwise, it can help bala
the interests of various groups
nations, and it is the best guarar
against periodic anarchy and insa
in human affairs.

Despite the failure of the for
North-South dialogue so far, there
been a significant change in hu
perceptions and understandings
ing the 1970s. From a mindless pur
of economic growth, there has b
a gradual shift to a better understa
ing of the problems of poverty and
urgency of meeting basic human ne
From a period of relative indiffere
to the real problems and enorm
potential of the Third World,
industrialized nations may at last
becoming aware of their own de

lence on the developing countries and of the need to reach some form of accommodation with them. From the belligerence of the early stages of the dialogue, we may finally be entering a second phase of serious negotiations during the 1980s. While the new decade has started on a cheerless note, this may well prove to be the decade for either a major advance in North-South relations or a deep international crisis. When the outlook is so bleak, it is, perhaps, wise to analyse what could be done differently to revive hopes for progress.

Both North and South have made major mistakes in their approach to the negotiations for a New International Economic Order (NIEO).

First, a quick catalogue of the mistakes made by the South:

(1) The objectives of the dialogue were not clearly perceived. At least two distinct schools of thought emerged. One bargained for short-term concessions; the other negotiated for long-term structural change. The first school would have been satisfied with more aid, more debt relief, more trade concession etc.; the second would regard such "progress" as an increase, not a reduction, is dependency. The second school sought a fundamental change in prevailing market rules and a loosening of ties between North and South, including a major de-linking of trade and aid relationships. The confusion between various objectives made it difficult to pursue any consistent strategy of negotiations.

(2) Many developing countries did not sufficiently realise that internal reforms were even more important than international reforms for the welfare of their people. Some of them started viewing the NIEO as a "soft" option, as an alternative to hard decisions to restructure internal orders. Lack of progress on the NIEO became an alibi for explaining a variety of economic sins at home. It was also not recognised that internal reforms would have made external change merely a matter of time, as developing countries would then be speaking from a position of strength. It is also interesting to note the divergence between official and unofficial dialogue on this issue. The official dialogue has at times pretended that there was no need for internal restructuring in the Third World. The intellectual dialogue in the Third World, on the other hand, has attacked inequities of international as well as of national orders, without ignoring their logical link.

(3) The Third World did very little service to its own cause by presenting the NIEO as a "demand" of the South. It should have been presented, right from the start, as a global need, since the existing economic order has not been working very well for any side—as is evident from problems of global inflation and monetary instability, the energy crisis, environmental concerns, commodity price fluctuations, increasing protectionism, fast-increasing armament spending and a whole range of global headaches. Furthermore, the South should have taken the interests of the North fully into account in designing any package of negotiations. This was all the more necessary since the South started with limited bargaining power; it needed the goodwill and enlightened interest of the North to "enforce" any change.

(4) The South entered the dialogue without adequate preparation. Since its membership was large and diverse, it needed frequent South-South dialogues to shape a package of negotiations which would satisfy the different interests of its various constituencies. It needed to esablish a basis for mutual support from some of its richer members, particularly oil-exporting and high income countries. It badly needed a Third World secretariat to articulate and coordinate its economic proposals'.

(5) Finally, the South made the fatal mistake of assuming that a new order would be "given" to it by the North. It conveniently forgot that such an order will evolve mainly through its own actions, particularly in accelerating its economic development, in undertaking internal reforms, and in organizing its countervailing power to correct existing market imperfections.

The mistakes of the South were, however, more than matched by those of the North:

(1) The North assumed that the NIEO was essentially a demand of the Third World and, as such, no concern of its own. It adopted a strategy of filibuster in UN negotiating forums —finding numerous problems for every solution that the South offered, rather than trying to explore honestly a number of policy options for each problem. The only area in which it showed a keen interest was that of energy, because of the immediate crisis the North faced. But the North failed to appreciate that the energy issue was only a part of the wider global crisis of excessive demand on increasingly scarce physical resources by a handful of privileged nations.

(2) The leaders from the North have been preoccupied with the immediate problems of recession, inflation and unemployment. It was felt that solutions to the short-term economic difficulties could be found without the cooperation of the South. This was a mistake. The energy issue itself should have made this clear. The existence of surplus capital goods capacity in the North in the face of unmet needs in the South should have given the Northern decision-makers some uncomfortable moments. The shifting demographic balance should have made them more conscious of potential markets in the South. But these perceptions were quite dim and seldom translated into policy. It was not realized in the North that its short-term economic problems were not temporary but part of a long-term structural change—much the same way as this was not realized in the 1930s within the national orders until Keynesian thought and President Roosevelt's daring initiatives combined to rescue Western capitalism from its inner contradictions. The same drama is now being replayed at the global level, the economically disenfranchised now being the teeming millions in the South who lack effective demand to buy goods and services from the North.

(3) Even when the North recognised the pressure for long-term structural change, there was a natural temptation to delay adjustment. Faced with shifting comparative advantage, the normal response was to protect declining industries and regions for fear of unemployment and popular unrest. Confronted with radically altered prospects of oil pricing and supply, the North postponed the more difficult conservation policies and deregulation of oil prices. Beset with mounting balance-of payments deficits, the United States made increasing use of its international credit card and incurred more debt, thereby creating even more international liquidity and worldwide inflation. All these responses were mere temporising. They delayed the adjustment costs, but magnified them in the process. When confronted with saving the next election or the next generation, the political leaders of the North frequently opted for the former. In such an environment, long term changes were often mortgaged to short-term expediency. This is nothing unique in

political life; but it is not the stuff of great leadership.

In many ways, both North and South have failed to understand the imperatives of the growing interdependence of mankind. The North tried to sell the old relationships of dependency to the South under the newly dusted slogan of interdependence; unfortunately it did not recognize the practical implications of its own growing dependence on the South, or the fact that genuine interdependence is impossible without greater equality of opportunity. The South bargained for greater equality, without paying sufficient attention to the Northern interests or to the costs of sudden adjustment. The result has been a stalemate.

In this strange environment of formal motions without actual movement, the communist countries (containing one-third of mankind) have been quietly neglected by both sides. Nor have these countries themselves shown a keen interest in the North-South dialogue, opting to stay on the sidelines. In any real dialogue for a restructured world order, it would be important to obtain the active participation of them as well.

The non-dialogue of the last six years has persuaded some observers that no serious discussion between North and South may be possible in the early 1980s[2]. This may well be true. It is possible that only a real international economic or political crisis will convince all sides to rush to the negotiating tables—as has happened so often in human history. But to give up now on the dialogue would be a defeatist strategy. One can hope that both sides have learned some quiet lessons from the experience and mistakes of the last few years. These should be drawn upon in making a new attempt to revive the stalemated global negotiations.

A fresh approach can be made by examining the premises of the old global order in several specific fields—such as energy, food, the monetary system, resource transfers, trade, economic development, technology, multinational corporations, and international institutions. The basic strategy should be to let the analysis itself lead to the final solution rather than to start with any preconceived proposals. Four concrete questions must be posed in each case:

—What are the premises on which the old order was based?

—Are these premises still valid?

—If not, what are the new premises which should replace them?

—Will the new global order meet the legitimate interests of all sides?

We will make an attempt in the following discussion to analyze the present framework of the global order in several economic fields in this spirit.

The energy issue must be demystified. No reasoned dialogue on that issue has taken place so far, as it gets bogged down in side issues and peripheral controversies. Either OPEC (the Organization of Petroleum Exporting Countries) is made to feel guilty—which is hardly a brilliant strategy for soliciting its cooperation—or the industrialized nations and developing countries are asked to adjust to a new energy environment without having a clear idea of what historical and long-term forces are shaping this environment.

The energy problem can be seen in its proper perspective only if it is viewed as one of the many structural transformations that the world is going through, and if it is placed within the framework of restructuring of national and international orders which has become increasingly urgent. The energy issue arose when the world was already confronting a profound transition: concern for protecting the world environment; for eradicating absolute poverty; for developing new self-reliant styles of development in the South and a new value system in the North; for controlling the impending international monetary crisis; for the establishment of a New International Economic Order. The energy issue greatly sharpened the global perception of these other transitions by demonstrating the essential interdependence and vulnerability of all nations. It is within that broad perspective that the energy issue can be helpful as an engine of transition, so long as it is linked with other related issues.

There is a popular belief that the energy crisis (i.e. the rising real cost of energy) has "caused" the world economic crisis. This in a way, reverses the sequence of events. The rising real cost of energy is the result of the overload of the world system, not its cause. The fast rate of increase in oil consumption in the past few decades has led to a rapid depletion of non-renewable resources. This happened because the price of oil was kept artificially low by international oil companies for a long period. Paradoxically, is was this artificially low price of oi which caused the eventual crisis by leading to an unregulated appetite for energy. If the oil price had been set not in relation to the cost of production—which was irrelevant—but the cost of alternatives, the adjustment process would not have become so abrupt and traumatic.

It is widely believed that oil prices are being kept artificially high at presen through cartel-like action by OPEC with the dismantling of OPEC, prices will crash. This is a fallacy. The current price of oil is largely determined by the forces of supply and demand as well as by the cost of altenatives. Before there are any screams of protest, let it be noted that production decisions are generally made by the national policies of OPEC members—not collectively—much the same way as the United States decides to curtai its wheat production to limit excessive supply.

In fact, many OPEC members are producing more oill (because of international considerations) than is required by their own national needs for revenue. If OPEC did not exis today, oil prices would probably stay at the same level or even rise, since it is a reasonable premise that oil production may go down in such a case rather than increase since many oil producing and exporting nations may well decide to eliminate financial surpluses they do not immediately need and instead try to protect the real value of their depleting assets by keeping more of the oil in the ground.

Moreover, there is no substitute fo oil on the horizon which is cheape than oil right now. In fact, those oi importing nations which are makin costly and long-term investments i finding alternative sources of energ have a major interest by now in relatively high price of oil which alon justify these investments in alternative Finally, and most important, the re determining factor for the future pric of energy may well turn out to be o the demand side; the extent to whic conservation policies are pursued.

There is a widespread belief tha OPEC nations are extremely rich that they "create" enormous financi surpluses which they cannot use them selves and which put considerab pressure on the world economy; an that they are responsible for compen sating oil-importing developing coun ries for the rise in their oil-impo bill but are as yet providing inadequa financial assistance to them. Such reasoning only tries to put OPEC nations on the defensive, without either having the benefit of objective analysis or leading to any constructive results.

To begin with, most OPEC nations are not rich. They are liquid but not wealthy, though liquidity and wealth are being freely confused these days. Even including the capital-surplus nations of Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Libya and Iraq, the thirteen OPEC members had an average per capita income of less than $1,000 in 1978, only one-eighth of that in industrialized nations. Besides, most of the OPEC nations are underdeveloped, with low literacy rates, short life expectancy, unskilled labour, a low level of technology and research, little diversified development outside the oil sector, and with all the problems of a single-resource economy. OPEC nations have suddenly become financially liquid but they have yet to translate their good fortune into lasting sources of real wealth.

Second, OPEC does not "create" financial surpluses; it is the appetite of the industrialized nations for energy which does. These surpluses are "desired" by industrialized nations. If OPEC were to cut production further to eliminate present surpluses, the world economy would experience a severe slump. For OPEC nations, the economics of these surpluses is not very clear; thare is a fair question whether oil in the ground will appreciate more over time than the real value of these financial surpluses. Moreover, let us also remind ourselves that these surpluses become a problem only because the world monetary system has not yet discovered either adequate market mechanisms or international intermediation through which these surpluses could be recycled to deficit countries on appropriate terms. This requires a reform of the monetary system, not of oil-pricing policies.

Finally, the capital-surplus OPEC nations have already provided over 4 per cent of their gross national product (GNP) on the average during 1974-79 for concessional assistance, compared to 0.35 per cent by industrialized nations—in other words, about 12 times as much as developed countries even when their per capita income is less than half that of developed countries.[3] This is truly remarkable when it is realized that OPEC assistance is being given not out of current income but out of the proceeds of oil—a depleting capital asset. Hardly any other nation in the world provides assistance by running down its capital. This is not to suggest that OPEC assistance policies are optimal, or to foreclose any further avenues of mutual collaboration between OPEC and the rest of the Third World, but only to restore some perspective on this issue. In short, the old premises of the global energy order have all collapsed by now, new premises cannot be constructed under the dark shadow of unfounded myths and unnecessary controversies. It is possible to identify key areas for global negotiations only within such a perspective. Let me turn now to three critical questions in this field.

First, how will future oil prices be determined ? Obviously they will no longer be determined by a handful of powerful oil corporations dominating the international oil market—nor by the unilateral actions of OPEC. They will be determined by a whole range of decisions and factors : OPEC national production policies; global conservation policies, particularly in the industrialized nations; investment in the expansion of oil production and other energy alternatives in the non-OPEC nations; the probable cost of future oil substitutes; the pace of growth in the world economy, etc. Until some of these unfold and have their full impact, the international community will live through a transition, period when oil prices may remain volatile unless a tacit international understanding is reached.

Most present forecasts indicate a real increase in oil prices (by three to to five per cent a year) over the 1980s. All nations have to gain if such an increase is gradual and predictable, rather than in sudden and delayed bursts. But before any international understanding or agreement can be reached in this area, the interests of various sides will have to be identified. While oil-importing nations would like to have some agreement on the future course of oil prices, OPEC nations would probably be reluctant to enter into any such agreement without clear understandings on conservation policies in industrialized nations, protection of the real value of their financial surpluses, and assistance with the conversion of their oil revenues into real, long-term development in order to prepare their economies for a post-oil stage. It must also be recognized that OPEC alone cannot "enforce" or "guarantee" any particular oil price, since a whole range of policy decisions will influence the market, as argued above. OPEC can only reach understandings on matters within its direct control.

Second, policies for energy conservation will be an extremely crucial part of adjustment during the 1980s. Cheap oil has encouraged wasteful patterns of energy consumption and choice of inappropriate technologies. One of the problems in adjustment is that some of the decisions are frozen by now in some societies, e.g., stress on private automobiles and public highways, suburban modes of living, energy-intensive industries. Unfreezing these decisions for the future will require tremendous political and economic courage, particularly in the industrialized nations. The developing countries have as yet more options available if they review their future patterns of development and consumption styles in the light of the new energy situation. There is generally considerable room for economising if energy prices are allowed to rise to their proper level in oil-importing nations. To a limited extent, conservation policies are already working in some of the industrialized countries, but the eventual adjustment in their patterns of consumption and development is so fundamental that it has barely begun.[4]

Third, oil-importing developing countries require substantial resources for financing larger investments in domestic energy production. These investment needs are estimated by the World Bank at around $80 billion a year (in current dollars) during 1980-90.[5] Various proposals are currently being made to provide investment resources to oil-importing developing countries for energy development such as an energy affiliate in the World Bank to provide $5 billion a year over the next five years; expansion of the present OPEC Fund into a development agency with a capital of $20 billion; schemes for mobilisation of larger private foreign investment. The total investment needs In energy are so large that there is room for all these initiatives and great merit in having diversification of channels for this purpose. What is important, however, is to ensure that these initiatives lead to additional transfers; that they reflect the changing balance of financial power in the world; and that they are based on a participatory system of management and control.

These are some of the key issues around which global negotiations can be organised in the field of energy.[6] The energy issue was analysed at length merely to illustrate that even in a sensive area like this, there are ways to avoid irrelevant issues and to focus on the new premises which should replace the old while meeting the legitimate interests of various nations. In the following discussion, this point is illustrated further in a few more areas under negotiation, though much more briefly.

In the monetary field, just as in energy, most of the premises on which the global monetary order was built have quietly disappeared.

The Bretton Woods system after World War II was based on fixed exchange rates and the relative stability of world prices. Since the early 1970s, exchange rates have been fluctuating freely (and even violently for the dollar) and we are living with high rates of global inflation.

The International Monetary Fund (IMF) was expected to bring pressure on both deficit and surplus countries to take the necessary bitter medicine and quickly to nurse the balance of payments back to a happy equilibrium. The Fund never enjoyed much leverage with surplus countries to begin with. By now, it cannot put much pressure on the biggest deficit country—the United States. The huge financial surpluses of OPEC confronted the Fund with yet another challenge, and it has so far found no satisfactory way to recycle these surpluses to deficit countries, either in an efficient or an equitable manner, though the scale of its operations in developing countries has increased significantly in recent months. Commercial banks quickly assumed the role of recycling financial surpluses and have done a fairly good job, but only within the narrow confines of their criteria of creditworthiness and profit. About two-thirds of commercial credits have been channelled to only ten middle-income developing countries.

The United States assumed the role of a central bank; nearly 80 per cent of the additional international liquidity in the last three decades was supplied by the dollar. For all practical purposes, the United States carried an international credit card which it used indiscriminately to flood the world with excess liquidity. Instead of carrying out real adjustments at home, the United States has been paying for its balance-of-payments deficits through the simple device of international deficit financing. The IMF has not been able to exercise much control over the creation of international liquidity through national reserve currencies.

The IMF was charged with the responsibility for providing balance-of-payments support to deficit countries, with reasonable policy conditionality to adjust the causes of their fundamental disequilibrium. The potential resources of the Fund have increased substantially in recent years; it can lend as much as $40 billion to developing countries from a maze of windows (called "credit facilities"). Unfortunately, there were few takers in 1979, when the IMF received more payments from developing countries than the funds it lent to them. Recently, the IMF has adjusted the policy conditionality of its lending and the scale of its operations has increased impressively. However, the critics of the Fund charge that: (a) its finance is fairly short term while the adjustment problem of the developing countries is not; and (b) its policy conditionality is very tough, as it often requires that the books of a nation be balanced, irrespective of the level of economic activity and employment at which this new balance is reached.[7]

Finally, the socialist bloc still operates largely outside the framework of the IMF. In view of the growing economic and monetary importance of this bloc, any new monetary order must seek their full participation and cooperation.

Overall, the global monetary system is in such bad shape at present that an entirely fresh start may have to be made. No marginal improvisations will suffice in the 1980s. The new premises on which the monetary order should be rebuilt are implied by the foregoing analysis and are worth recapitulating.

—National reserve currencies must be phased out of the international payments system and replaced by an international currency (modified Special Drawing Rights), to be created and managed by international jurisdiction.

—The creation of international currency should be guided by the real increase in world output and exports so as not to generate inflationary pressures.

—The distribution of this international currency should be based on present as well as potential balance-of-payments needs, including a link between international currency and development assistance.

—The IMF, or a wholly new institution should be gradually evolved to perform the role of an International Central Bank (ICB).

—For this purpose, the ICB should include all nations (socialist bloc as well) and its management and control should be genuinely international.

—The ICB should be empowered to put as much pressure on deficit countries to adjust their balance of payments as on surplus countries, so that the present asymmetry of treatment is removed.

—The ICB should also act as the lender of last resort, to refinance short-term debts, provide a "safety net" against unforeseen liquidity crises and play a decisive role in recycling financial surpluses in collaboration with the private capital market.

These are not minor reforms; this is drastic surgery. The new monetary order can emerge step by step once an overall framework has been accepted. major economic powers will find this degree of international discipline irksome to begin with, but they will gain a great deal in the long run from rules which are accepted by all nations. The developing countries, of course, would reap enormous benefits from these reforms. Lord Keynes' vision in the 1940s would finally have been adapted to current realities—after 40 years of drift and indifferent experimentation.

Before searching for a new basis for international resource transfers, it is useful to sketch out some of the implicit assumptions of the present order and what is wrong with them:

—The present resource transfers from the rich to the poor nations are totally voluntary, dependent completely on the fluctuating political will of the rich nations. The attempts by the United Nations and the Pearson Commission to enforce greater discipline in this field through the 0.7 per cent-of-GNP target for Official Development Assistance (ODA) has failed miserably by now.

—Most of the present official assistance (75 per cent) flows through bilateral channels rather than multilateral institutions. As such, it is greatly influenced by bilateral political relationships. For instance, only 45 per cent of the bilateral Official Development Assistance is directed toward the poorest nations that need it the most, compared to over 90 per cent of ODA which flows through multilateral channels.

—The resource transfers have been in gross terms, with insufficient concern for *net* transfers. Inappropriate terms in the past have created a major debt problem, so that debt servicing reduces the gross transfers by about one-half by now.

—The international framework for resource transfers has excluded the socialist bloc, which has provided little assistance so far. New OPEC sources, while very generous, have been geographically concentrated on a few countries.

—The "aid relationship" is often viewed as a relationship of dependence, not partnership, in the Third World. Unlike the Marshall Plan, developing countries which receive assistance do not participate in the basic decisions governing such assistance.

There is no doubt that international assistance has performed a valuable role in the past. However, it is already becoming clear that a serious search must start for finding new premises for international resource transfers in the 1980s, somewhat along the following lines:

—International resource mobilisation should become more "automatic" and be accepted as an international obligation towards the poor nations. International taxation can be introduced through a variety of devices: a progressive income tax on all nations, with a minimum exemption limit; introduction of a link between creation of international liquidity and development finance; indirect taxes on consumption of non-renewable resources by the rich nations; taxation of armament spending; and royalties from ocean-bed mining. The proposals are well known. What is needed during this decade is to undertake serious technical studies on them and to create a favourable political climate for the acceptance of the concept of international taxation.

—A clear distinction must be made between automatic *mobilisation* and automatic *transfer* of resources. What is implied by proposals of international taxation is the former, not the latter. Once resources are raised automatically, they need to be channelled through international institutions to needy countries according to certain performance criteria—as national treasuries must determine national priorities before committing the resources they raise through taxation. In this case, the control of international institutions can become genuinely international once their resource base has become automatic and internationalised. The present awkward situation where international financial institutions are totally dependent on the goodwill of individual creditor nations will then be replaced by shared international responsibility and control.

The world food system—if we can call it that—has been influenced by three main assumptions over the last four decades:

—The comparative advantage in growing food surpluses was supposed to lie with developed countries possessing vast areas of good agricultural land and sufficient capital and technology. Thus, the United States, Canada and Australia emerged as the breadbaskets of the impoverished world. This situation is likely to change radically. Higher energy costs will shift the comparative advantage away from traditional food-exporting areas, since agricultural production has become extremely energy-intensive in these countries; in the United States it takes ten times as much energy to produce one ton of food grains as it does in India. Over the coming decades, low-income countries of Asia and Africa are expected to develop a major comparative advantage in food production.

—It has been assumed so far that developing countries need not grow all their own food; they can always import it. The food deficits of the developing countries have been increasing rapidly, from about 20 million tons in 1960 to nearly 80 million tons in 1980, and to an estimated 145 million tons in 1990.[8] Only recently has it been realised by the developing countries that, without accelerated agricultural production, there will be little stimulus for their industrialisation or overall growth. Nor is there any other effective means of putting adequate purchasing power in the hands of the poorest population in the countryside. Moreover, the developing countries lack both the physical and financial capacity to import such huge food deficits, apart from the uncertainty such dependence inevitably creates. The working assumption for the next two decades has to be that developing countries would like to achieve relative self-sufficiency in food grains.[9] This means increasing the food production by four to five per cent a year, compared to an average of less than three per cent for the last four decades. It would require an annual investment of $30-50 billion, major agrarian reforms in the Third World, and a coordinated effort by the international community to help developing countries achieve these new goals.

—Almost by default, US food grain surpluses had become an unofficial guarantee against periods of unexpected crop shortfalls in the developing world. However, world grain reserves have fallen by now to only 40 days of the annual consumption requiremant. Obviously, small fluctuations in world food production can play havoc with food prices and human lives in the absence of adequate reserves. A world food security system cannot be based on the present precarious assumptions,. From an unofficial system, we must move now toward an agreed framework of food grain reserves over which there is multilateral, not national, control.

Thus, in the food area as well, many of the original assumptions of the global order are losing their validity. In this case, some of the adjustments can be made through national development policies and do not require an international agreement. However, aecelerated food production in the developing countries and establishment of a system of world food security do require international help and collective agreement.

Perhaps the main point has been amply made by now. A productive way of making a fresh start on the North-South dialogue would be to take up concrete areas of the global economic order, to examine critically the premises on which they were built in the past. and to negotiate new premises wherever the old assumptions have been eroded with the passage of time or new assumptions are required to serve the mutual interests of all nations. Such an approach would take the present dialogue away from empty rhetoric, costly filibuster, and skillfully engineered stalemate to more practical and constructive channels.

If this basic approach is accepted, it can be extended to all other areas of global economic concern—whether they be future patterns of international trade, codes for transfer of technology, environment for operation of multinationals, or management and control of international financial institutions. There is an obvious link between all these fields, but the negotiations cannot be conducted simultaneously in all areas nor can the new rules be designed in one giant step. Once it has been recognized that reconstruction of a new global order is the joint responsibility of all nations, appropriate forums can be established for concrete negotiation. The initial step is to agree on the basic approach. If the UN Global Negotiations are revived in the next few months, as they must be, they provide a unique opportunity to travel down this road.

If these global negotiations are not to repeat the sad history of the Conference on International Economic Cooperation (CIEC) negotiations in Paris in 1977, at least two mistakes must be avoided. First, all sides must approach the negotiating table in a spirit of shared responsibility and not as adversaries. Second, the negotiating agenda and format should be manageable and have something in it for all sides. The minimum agenda can consist of three items: the search for a new international energy order: fundamental monetary reforms; and more automatic mechanisms for international resources transfers.

Any enlargement of the agenda in the first instance risks dilution of negotiations and paralysis of real bargaining. Once the agenda is so limited, the best way to proceed may be to agree on some overall objectives in the UN Committee of the Whole but then break into three separate negotiating groups, each with a substantive secretariate and a concrete timetable. with the mandate to produce specific proposals (and various alternatives, if agreement is lacking) for final bargaining sessions and tactical compromises in the Committee of the Whole.

The purpose of this article is to suggest an approach, not a blueprint. It is perhaps foolhardy to be optimistic about the revival of North-South dialogue in the current, rather barren, international political environment. But great initiatives in history have often been taken not in times of affluence, but in moments of crisis.

We should take some heart from the heady(some may call it naive) optimism of the recent Report of the Brandt Commission.[10] Whatever the critics might say, this Report marks a tremendous advance in the intellectual journey we have all made since the days of the Pearson Commission Report in 1969—from concepts of camouflaged dependency to genuine interdependence among nations; from a preoccupation with resource transfers to a concern with restructuring all international economic relations and institutions; from a quiet defence of the structure of Bretton Woods institutions to a searching analysis of the need for their future evolution.

There may be little hope that some of the concrete ideas of the Brandt Report—whether international taxation or an international currency under international control—will be implemented in the next few years or even during the decade of the 1980s. But I find great comfort in the fact that practical men and women of the world are beginning to "distill their frenzy from some academic scribbler of a few years past," as Keynes so elegantly put it in his defence of the power of ideas. If ideas are changing so rapidly, can concrete action be far behind ? And why not make yet another effort to revive the presently stalled North-South dialogue? We have nothing much to lose but the present paralysis in human affairs.

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10. To indulge my own vanity, I would refer the reader to some of the proposals in chapters 10 and 11 of my book, *The Poverty Curtain*, New York: Columbia University Press, 1976, which find an echo in the Brandt Commission Report.

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Fertilizers : Raising Capacity Utilisation

IE NATIONAL workshop organised a few ys ago in New Delhi by the Fertiliser rporation of India, in association with nufacturers of equipment for ferti- er and chemical industries, has thrown a number of suggestions for raising oductivity in these industries through tter utilisation of equipment. Capacity der-utilisation in the fertiliser industry ne, it is felt, leads to a loss of nearly per cent of output annually. If this s can be obviated, a good deal of ing in foreign exchange can be secured.

The suggestions involve taking of nedial action not only by the fertiliser d chemical industries themselves but o by suppliers of equipment and chinery and Government which is ncerned with infrastructure facilities. e user, client, and undertakings, it has en recommended, should lay stress on ndardisation of equipment and full olvement of suppliers during erection d commissioning of projects. They ve also been called upon to adhere to truction manuals instead of making quent changes in them during construc- n and operational stages. Care ought be taken for the training of opera- nal personnel to upgrade their skills der suppliers' guidance. Another portant suggestion made is that indent- of sufficient spare parts should be ne well in time to obviate any delays in plies. An adequate stock of spares uld be maintained to set right break- wns expeditiously.

he manufacturers and suppliers of ipment, it has been stressed, should only ensure strict quality control also set up an independent body to nitor quality of plant and equipment vell as prices and delivery performance. luding that of spares. They should ote better attention to preparation of erating manuals for standard equipment help train operational personnel to enable them to acquire the requisite skills. After-sales service by suppliers has been emphasised a great deal. It has been recommended that a separate cell should be set up to deal with the problems concerning spare parts and to ensure due priority for their production and delivery on demand. In view of rapid obsolescence that takes place in chemical industries, suppliers have been called upon to give advance notice to users about the plants and equipment that are likely to become obsolete. They should also provide conversion kits, wherever possible, for ensuring proper functioning of plants and equipment.

Government's Role

The Government, it has been pointed out, has a crucial role in ensuring proper coordination amongst users and suppliers of plants and equipment. it has also to provide better communication facilities, including wireless service, and rail and road transport as a majority of fertiliser and chemical projects are located in economically backward and inaccessible areas of the country. It has further been suggested that clearance by the Reserve Bank of India should be made more expeditious for securing the services of foreign engineers and technicians required in times of emergencies. Import of critical spares, including those which have been put on the 'banned' list should be made easier through better coordination between the Directorate-General of Technical Development, customs authorities and the Bureau of Public Enterprises. The limit for imports under OGL needs to be enhanced in the case of spare parts. Foreign consultants ought to be asked to make the maximum use of indigenous availability of specialised sales. A check needs to be kept on the quality of products and services, particularly in the process instrumentation area.

Tea in 1981— And Ahead

THE *Tea Market Annual Report for 1981*, released recently by Messrs J. Thomas & Co Private Ltd, has focused attention on several important and interesting developments in the tea industry during the last year and has also discussed the prospects in the coming months. It has revealed that 375.7 million kg of tea were disposed of through public auctions during 1981 compared to 305.4 million kg in 1980. Sales through Calcutta increased from 132.6 million kg to 163.9 million kg, Gauhati from 62.6 million kg to 65.0 million kg and Siliguri from 16.7 million kg to 55.5 million kg. But sale of South India tea fell from 94.5 million kg in 1980 to 91.3 million kg in 1981. The average price realised was Rs 13.61 per kg in 1980 and Rs 13.95 per kg in 1981. The last year has been described as "a landmark in the histroy of Siliguri tea auctions" when the quantity of tea sold was higher by 231 per cent as compared to the preceding year. This "spectacular increase" is attributed mainly to the cess levied by the Government of West Bengal on teas sold outside Calcutta and Siliguri auctions. Siliguri is now "fully established as the primary selling centre for Dooars and Terai teas".

The North Indian crop in 1981 was 438.1 million kg against 440.6 million kg in 1980. There was a decline in Assam valley, Cachar, Darjeeling and Dooars but an increase in Terai, Tripura and other districts. The South Indian crop was 122.6 million kg a decline of 8.5 million kg compared to 131.1 million kg in 1981. In 1979 there was a record crop of 139.4 million kg.

Total exports in 1981 amounted to 245.6 million kg valued at Rs 438.8 crores. In the preceding year, the export of 224.0 million kg earned Rs 436.8 crores. About 44 per cent of the Indian crop was exported in the last year. The unit value realised was Rs 19.50 in 1980 and Rs 19.87 in 1981.

The quantity of tea retained in India was 315 million kg which was the lowest in recent years. It amounted to 348 million kg in 1980, 344 million kg in 1979, and 395 million kg in 1978.

The report has referred to the crisis in the tea industry in South India, especially Kerala. It has said that in the first three quarters of 1981, the estates fared "miserably" and most of them were selling Rs 2.00 to Rs 3.00 below the cost of production, on an average. The industry in the South at the end of the year was still "in deep financial difficulties".

Dealing with the general situation in the tea industry, the report has said that the cost escalation in items of stores required by the gardens have been "phenomenal". Besides, there have been increased wages for garden workers and staff. These developments have made a large number of tea companies especially in South India, West Bengal and lower Assam uneconomic. The problems of the industry have been clearly brought to the notice of the Government of India and the State Governments concerned. The time has now come to take effective and coordinated action and thereby enable the industry to improve its production and productivity, increase its profits and plough them back into development. Apart from its substantial contribution to the earnings of foreign exchange, the industry provides about 900 lakh jobs. The authorities therefore should deal with the industry's difficulties with greater realism.

Meanwhile, the industry should give more attention to promote the consumption of tea within India and also to increase exports especially of value-added items. Competition to Indian tea is increasing from other producers and other beverages. Therefore, while continuing to urge the Government for more fiscal relief, the industry should also explore the scope for improving its efficiency. As J. Thomas & Co have said in their report, "We foresee a change in the turn of the wheel, and an improved tea market in 1982. Yet Indian tea will continue to be hopelessly uncompetitive to all other tea growing nations where cost of production is much lower. Several nations produce increasingly large quantity of poor quality teas and in some State-owned industries, such teas are sold or bartered without relation to world prices. Sellers therefore will note that there could be a sudden excess supply of fibrous and tertiary grades, which may depress the bottom of the market. It would therefore be in their interest to continue to make quality teas in the new season".

Power and Private Sector

R. J. Venkateswaran writes from Calcutta

THE UNION Minister for Energy, Mr Ghani Khan Choudhury, told the Lok Sabha on July 19 that the private sector had rejected the Government's invitation to participate in the generation of power by setting up new plants. He said that no one was likely to come forward in the immediate future and added that "this chapter is as good as closed". In the last two years Mr Choudhury has been trying to persuade industrialists to invest in power but he did not clarify on what terms and conditions this would be permitted. Industrialists in the eastern region had indicated that they would be willing to instal power plants provided the Government amended the Electricity (Supply) Act, 1948, to obtain a higher rate of return to the shareholders, raised the debt-equity ratio from 2:1 to 6:1, and allowed them to secure funds from the Euro-dollar market and other sources. But since no specific schemes were placed before the Government, these suggestions were not considered seriously.

Mr Choudhury is right in thinking that the private sector is no longer interested in his offer. But he was wrong in appealing to them to invest in the generation of power when they were facing severe financial constraints in running their units and in finding the funds for modernising them. The acute power shortage in the country has been caused mainly by the Government's inability to step up generation from the existing capacity and to implement expeditiously the new power projects. The Minister therefore should have concentrated his attention on these issues instead of asking the private sector to divert its scarce resources for setting up new power plants. Incidentally, it is significant that in 1980-81 the Energy Ministry surrendered over Rs 110 crores out of the amounts sanctioned to it under the revenue and capital accounts because it was unable to anticipate its requirements correctly and plan its expenditure properly.

Meanwhile, the power situation
Bengal worsened and on July 17,
Government announced a 50 per cent
in supply to non-priority industrial u
Representatives of the chambers of c
merce expressed concern at this deci
and said that they were completely ta
by surprise. They observed that the
would adversely affect production
the availability of essential goods, ag
vate industrial sickness and retard in
trial growth. The chambers regre
that the problems of management
maintenance in the Electicity Boa
plants continued to persist on the s
scale as before. They warned tha
dustries, already in the grip of recess
would find it difficult to pay lay-off w
during the periods of prolonged po
cuts.

The Minister of State for Power,
Shankar Gupta, however did not a
with these views. He said that the s
tage was only temporary and that it
unlikely to produce the results feare
the chambers. He also clarified that
Government would not under any circ
stances agree to the lay-off of labou
this ground. This controversy brings
the absence of close co-operation bet
the private sector and the Govern
in tackling the problem of power.
industries would not have been t
unawares by the latest cut if they
maintained a careful watch on the tr
in generation in recent weeks and
also kept close contacts with the P
Department. On many days prio
July 17, the situation had been cri
and many areas had to go without ele
city for several hours at a stretch
was hardly surprising therefore if
Government came out with its dec
to impose 50 per cent cut on non-pri
consumers.

The State Government does not
to have a firm grip over the power s
tion. This will be clear from the fact
on July 20, Mr Sankar Gupta asked
authorities of the Electricity Boar
explain why all the four coal mills a
Santaldih plant went out of order su
sively during the previous week, th
compelling the Government to en
the 50 per cent cut. The Ministe
that the simultaneous malfunctionin
all the four units was "quite unus
But, in fact, there is nothing unus
all the plants of the Electricity
developing sudden and serious d
at the same time. The Government s
show firmness in dealing with ineffi
and indiscipline in the power plant
should also not hesitate to take
tage of the expertise available wit
private sector both for improvin
present situation and for plannin
future requirements.

Big Brother' Means Business

V. Balasubramanian

THE conclusion of the Versailles sum- commenting on the communique, Treasury Secretary Donald T. Regan, cribed the passage on trading with the iets as "a work of art." Referring to in these columns I had suggested that ould prove to be closer to a museum e. Both of us were wrong. Most of communique, in fact, is already junk. Iost, but not all. A little seems to e been saved or salvaged by the ericans. The US demand that OECD ntries agree to regulate at lower levels idies on interest rates for export credits been met by a scheme announced on e 30. The European Economic Com- ity has agreed to eliminate competi- subsidising of low-interest rate financ- of exports of goods from its member ntries. Consequently, many countries efiting from these low-interest rates are e pushed into categories liable-to be rged higher interest rate nearer to mercial levels. Simultaneously, inte- rates chargeable to various categories mporting countries are also increased. Americans have scored a further t by winning acceptance from the ctant Europeans, particularly France, a provision that would prohibit any ntry from violating the subsidy levels. en the high interest rates prevailing he US, the American interest in res- ning export credit as an instrument ch other industrial nations could use pushing their exports in world markets oth large and obvious. This apart, Reagan administration has been ely arguing against the Soviet Union g accommodated with low-interest nce in its trade with the West.

Canadian Connection

earer home too the Americans are ng problems with export subsidies. relations with Canada, for instance, e entered yet another area of acrimony the Reagan administration threaten- to thwart a Canadian bid to sell way cars to New York's Metropolitan nsportation Authority. US Congress- are alarmed that if this business is n away from a competing American nufacturer, jobs would be lost to erican workers at a time when un- ployment is rising towards ten per cent. They are therefore rallying behind the position taken by US offcials, in their debate witb the Canadians, that Canada's Export-Import Bank is violating export credit guidelines by offering to finance the sale of the subway cars at an interest rate of 9.7 per cent, which is substantially below the agreed minimum of 11.25 per cent. One possibility is that the Reagan administration may instruct the US Exim Bank to offer competitive financing as a special case for retaining this business within the country.

Assuming that this is done, the Canadians are not going to be particularly happy with their Big Brother, nor are they likely to be helpful to the Reagan administration its far more important trade battles across the Atlantic.

Currently these battle-lines are being grimly drawn on ground almost wholly of the Americans' choosing. Within days of trying to persuade other industrial majors at Versailles that they should join hands with the United States in coordinating their economic policies for fighting inflation and ensuring steady economic growth and claiming success for this effort, President Reagan, going against the urgent plea of his the then Secretary of State, Alexander Haig, announced additional prohibitions on the availability of equipment, directly or indirectly, from US sources for the Siberian gas pipeline project. This means not only that US firms cannot export such equipment from this country but also that their foreign subsidiaries or even firms in other countries manufacturing these items under license from American corporations should not supply them to contractors engaged in the construction of the pipeline.

Small Talk from Washington

White House, or Deparrment of Commerce, officials here are contending that this action was implicit in the President's original decision announced last year to police trade with the Soviet Union because of its responsibility for the developments in Poland. The West European Governments, however, see it differently and they are convinced that the Reagan administration has acted contrary to the impression they claim they had gained at Versailles that the US would in fact remove even its earlier restrictions on direct exports of equipment from that country for the pipeline project in return for their accepting the President's proposals for stricter surveillance of strategic exports to the Soviets or East European countries and the observance of "commercial prudence" in extending export credits for purchases made by them.

European Reaction

West German Chancellor Schmidt, characteristically outspoken, has bluntly said that, if the American purpose is to obstruct his country's agreement with the Soviet Union to participate in the pipeline project and buy Siberian gas from the Soviet Union, his Government has no intention of giving up its plans, despite the consequential differences with US policy. France's Foreign Minister Cheysson has been more urbane in expressing his country's reaction and has said that he hopes that disagreement on this issue need not strain trans-atlantic cooperation in other economic issues. Even he, however, has characterised the American move as a declaration of an economic war on the Soviet Union and that the French Government is not in sympathy with a strategy of economic sanctions for dealing with whatever problems the US or its allies may be having with the Soviet Union.

Even the Italian Government, which has been regularly complimented by the Reagan administration for its support for US perceptions of East-West relations, has been making protesting noises. The unkindest cut, however, has come from Britain's Prime Minister, who, in an "Et tu Brute" act par excellence, has accused President Reagan squarely of encroaching on the sovereign rights of other Governments by trying to limit the ability of foreign companies to fulfil contracts. "The question," she told the House of Commons, "is whether one very powerful nation can prevent existing contracts being fulfilled—I think that is wrong to do that". The point is well taken, for the Reagan administration itself has often expressed its uneasiness at foreign Governments acquiring interests in companies in the United States, on the ground that access to control of the operations of these companies could be used by those Governments for their political or other objectives. And yet here is the US Government, which without even having a share in the ownership or control of US or US-related companies in other countries, is still trying to intervene in their commercial operations for reasons of foreign policy. The Board of Trade in Britain is reported to have made it clear to US subsidiaries in that country that they should comply with British rather than American law. This is an example that may prove infectious in Western Europe. The Common Market's Commissioner for Industry is in fact preparing a "legal dossier" to fight what is being described as "an extraterritorial extension of US jurisdiction".

Japanese Concern

Then there is also the related dispute between the US and Japan over the American sanctions as they apply to Japan's collaboration with the Soviet Union in the Sakhalin Island petroleum project in which the Japanse have already invested about $200 million. The American ban would prevent the supply from the United States of some essential items of drilling equipment and currently a team of senior Government officials has arrived here from Tokyo to persuade the Reagan administration to lift the embargo.

As these debates develop it is becoming clear that the US may hope to delay these projects, but it cannot do very much more. As a matter of fact, American officials concede that the Soviet Union will probably be able to keep close to agreed schedules of delivery of gas to West European customers by reshuffling priorities between domestics and export pipeline construction programmes and by diverting supplies from internal consumption to export sales. In any event the Soviet Union has informed West European Governments that it is planning to deliver gas as promised, although it is also making threatening noises about claiming huge damages in the event of West European contractors failing to supply equipment for the pipeline project.

Quite clearly one of the early initatives of the incoming US Secretary of State, Schultze, will be to mend fences on the pipeline front. Although the differences here are in economic or trade relations they are bound to impinge on the entire body of concerns of the Western Alliance, including, the political and strategic problems of East-West tensions. Although France's Foreign Minister seems to be pessimistic about the US changing its mind on the pipeline sanctions, it is unlikely that Haig's successor will not continue the good fight to win the President's ear from economic warfare hawks such as Defence Secretary Weinburger, or National Security advisor Clark. Schultze himself is on record as thinking poorly of trade embargoes as a means of influencing the social systems or international behaviour of other countries and it will be surprising if he does not try to pull his weight in persuading the President to take a second look at the pipeline policy. Here, he will have the support not only of economists such as Milton Friedman, who has always opposed trade sanctions as counter-productive, but also of US business leaders who believe that the American economy has been losing trade and jobs to its competitors in world markets through the Government excessively politicising its commercial policy.

TAILPIECE: Leroy Williams is the latest household name in the United States. This 18-year old Black youth, now in his first year at high school, has hit the media in a big way by his allegations that several Congressmen are practising homosexuals. He claims that he himself has done sexual favours to three members of the House of Representatives and has also introduced a senator to a male prostitute. These charges seem to fit neatly into on-going FBI investigations into reports or rumours that some legislators in the nation's capital may be involved in the use of hard drugs at the kind of parties where homosexual activities are frequently prevalent.

Other Business

As it happens, Leroy Williams is no ordinary teenager. He is one of about a hundred pages—mostly boys, but there are also some girls—between the ages of thirteen and seventeen, who work for Congressmen by delivering messages or material on the floor of the House or the Senate, or at offices in congressional buildings on Capitol Hill. They are generally from what are called "good families", often with political connections and among recent recruits to their ranks is a daughter of former President Jimmy Carter. They are employed for periods of six months and occasionally for longer terms and are paid $700 a month for their living expenses. Their purpose, besides earning some spending money, is to get acquainted with the world of politics and the legislative process as part of their understanding of how their country is governed. Leroy Williams left off working as a page
a year ago when the first breath of scand
was wafting over the air on Capitol H
and is now testifying before the Hou
Ethics Committee, which is looking in
allegations of legislators' questionable r
lations with pages, independently of t
FBI investigations. His credibility h
suffered considerably because he has r
portedly flunked lie detector tests. Ho
ever, suggestions that attempts may
made to sweep the affair under the ca
pet are being freely made in gossi
Washington, DC, with muck-raki
columnist Jack Anderson claiming that
has been making his own private e
quiries for some 15 months now in
possibilities of drug-and-homosexual r
ckets in which Congressmen may be i
volved.

Anderson's Assertions

Anderson has suggested that t
number of legislators touched by the
allegations could be about thirteen a
that the count includes both Senato
and Congressmen, Democrats as w
as Republicans. He says that the
seems to be some kind of eviden
against three Congressmen and o
Senator while another five may
perilously close to being similarly imp
cated. A few of the names on this li
according to him, are nationally kno
and could shock the nation if and wh
they are disclosed.

Public reactions have been varied, b
surprise is not exactly the dominant r
ponse. The community of legislators
the federal capital has been going throu
this process of having the morals of
black sheep periodically probed. So
time ago the nation was titillated by t
confession of the wife of a Congressma
who was one of those trapped in t
Abscam affair, that she used to have s
with her husband on the steps of the Ca
tol, where Congress reigns in all its glo
facing the towering statue of Abrah
Lincoln at the Memorial at the other e
of Constitution Avenue. The man m
have his excuses, for the woman, a M
Texas, is as sexy a piece of baggage
could be imagined. But the same p
haps could not be said for anot
Congressman, who, early last year,
convicted after being caught having c
sex during a homosexual encounter w
an employee of the Library of Congr
in a toilet on the premises. On the
sent occasion, what is considered dist
ing is the possibility that some Congr
men who ought to know better may
corrupting teenagers with drugs besi
soliciting sexual favours from these yo
who are being paid by taxpayers
duties which do not include such
gations.

s Paper Famine Around the Corner ?

Virendra Agarwala

**aper industry has a close connection with the cultural and material
ogress of the people. It is therefore essential that it maintains a
eady rate of growth which can be possible if the industry is allowed
have a rate of profitability that will make further investment
its growth possible. According to the author the rate of
ofitability has remained so inadequate in the paper industry that
can hardly encourage growth. Considering the dwindling bamboo
sources, the author believes the industry will have to resort to
creasing use of mixed hardwoods. He stresses the need for
onservation and propagation of forests to enable them to feed this
ssential industry.**

ɪɴɪsᴛᴇʀ for Industry has recently
upon the paper industry to give
r incentives to farmers to grow trees
the social forestry programme so
he basic raw material can be ensured
According to the National Com-
on for Agriculture, the country's
ated need for wood, including bam-
or paper industry, would be 68 lakh
s by 1985. In such circumstances,
ve no choice but to adopt a multi-
ged strategy which should consist of
ion of more efficient ways of utili-
of alternative raw materials, im-
ment of technology to obtain higher
yield, increasing the resources base
in Government forests and marginal
rivate lands and adoption of more
ent harvesting methods to avoid
ge. The problem is so acute that it
urgent consideration and coopera-
rom all.

eral positive steps need to be taken
diately to renovate, modernise and
de production technology of the
ld paper manufacturing units if we
een to avert a paper famine which is
to recur in the next few years.
equently, an integrated approach has
taken to develop low-cost and low-
tment forestry as to ensure cheaper
ties of conventional and non-conven-
l raw materials for the paper industry.

The Scramble

e is a widespread concern that the
ability of pulpable raw-materials is
esent dwindling at a fast pace. Even
r the current capacity utilisation
of only 70 per cent of the installed
city of 16.56 lakh tonnes, a scramble
g mills for the dwindling raw mate-
has frequently been witnessed. The
tion has further worsened with the
Governments resorting to raises in
lty rates resulting in prohibitive costs
aw materials for many mills. It is obvious that the existing as well as the envisaged paper-making units can never utilise their installed capacities unless they are assured of regular supply of basic raw materials at reasonable prices. In view of high cost of operation, paper mills in the country are being forced to sell all varieties of paper at high prices which the consumers find difficult to absorb. Owing to this piquant situation, most of the mills are finding it hard to generate surpluses required for expansion and modernisation.

Welcome Increase

There has been a welcome increase in paper production during the current calendar year. According to reliable sources, production during the first seven months of the year totalled 700,000 tonnes against an estimated demand of 10.5 lakh tonnes. Over the calendar year as a whole, the output, it is felt, will rise to 1.1 million tonnes against about just one million tonnes during 1981. Obviously, capacity utilisation in the industry has improved despite constraints like power shortages, short supply of coal and transport problems in the movement of raw materials. One hopes the industry will be able to keep up the improvement in capacity utilisation. Otherwise, there will soon be a crisis of shortage. A straight increase of Rs 700 per tonne in the price of white printing paper has not been found satisfactory because it does not meet even the cost of production fully, let alone bringing a reasonable return to the industry. The industry apparently is going through demand recession because there are heavy unsold stocks with the producers. When recessionary conditions persist, the only way in which the unsold stocks can be cleared is to cut prices. But the industry can hardly afford it.

For an industry like paper, which has a close connection with the cultural and material progress of the people, a steady rate of growth is essential. A steady rate of growth will be possible only when the industry is allowed to maintain a rate of profitability that will make further investment in growth possible either through internal retention or equity capital issues. At the current level of paper prices, the rate of profitability has remained so inadequate that it can hardly encourage capacity growth. Any talk of capacity utilisation being cut due to 'fresh constraints' would prove disastrous, because it would surely amount to reduce supplies.

Government Measures

It is laudable that the Government is taking measures to help industry both by way of higher prices for the cultural varieties and by promising to stop imports during the next financial year. The industry must keep up the rising tempo of production and at the same time ensure that writing and printing paper is supplied to the weaker sections without their having to bear fresh prices burden. It is the responsibility of paper industry to show to the country that it can grow and serve the nation in a climate of competition. The Government should better consider rather favourably removal of unrealistic price controls if the paper requirements for a growing population are to be met at competitive prices.

The paper industry is one of the highly capital-intensive industries. It has a long gestation period. An investment of Rs 20,000 to 25,000 is now required for putting up one tonne of paper capacity, as against Rs 10,000 or Rs 12,000 a few years ago. But the return on investment has remained so poor that the Government has been requested to provide liberal financial assistance in the form of 'genuine soft-term loan' to encourage not only fresh investors to invest money in the industry but alse help existing mills modernise and upgrade their production system. The Government can hardly overlook that viability of almost all old mills is getting eroded, in some cases, they are showing signs of sickness. At present the paper industry is entitled to soft loan at the rate of 14 per cent interest with a provision that the convertibility clause would not be applicable to this soft option. It is obvious that there is hardly any 'softness' in the soft loans. It is also believed that the post-tax profit in the industry has already come down from 21.2 per cent in 1974-75 to only9 per cent now, while the profitability in other industries is around 14 per cent. Any other pressure for contributing funds for the development of forest plantations would only create confusion and eventually hamper the growth of this industry. The Government should better explore the possibility for merging sales-tax with excise duty in the case of all varieties of paper and paper board. This merger is considered essential for an all round growth of paper trade in the country.

Increase in Capacity

The paper industry must acquire a capacity of at least 42.5 lakh tonnes by the end of the century to allow the per capita consumption of the material to go up to 4.5 kg from 2 kg at present. Assuming the raw material mix to the order of 75 per cent bamboo, 22 per cent hard-woods, two per cent other fibrous raw materials and one per cent soft woods (coniferous), the requirements of bamboo, hard wood and soft wood in 2000 AD has been estimated at about 35.46 lakh tonnes, 82.04 lakh tonnes and 23.90 lakh tonnes, respectively, as against the present requirements of about 23.4 lakh tonnes, 6.9 lakh tonnes and 0.13 lakh tonnes, respectively. The availability of land is shrinking. Therefore, the forest departments, both of the Centre and the States, should better explore the possibility for increasing the yield per hectare. High-yielding varieties of plants should be grown in a big way and an indepth 'genetical' research needs to be undertaken in this respect. It is in the interest the of paper industry to provide funds for research and development connected with forest raw materials.

Forests extend over 74.8 million hectares area, which is 23 per cent of the geographical area. Out of this, 45 million hectares are potentially exploitable and the balance unexploitable. The forest areas are indeed inadequate for producing woods for fuel purposes and also for industrial uses. During the Sixth Plan period, it is contemplated to raise about three million hectares of plantations to meet the requirements of fuel and forest products. It is believed that for meeting the firewood needs of the village people, plantation would have to be raised over 12 million hectares entailing an investment of about Rs 3,600 crores. In such circumstances, the paper industry is required to undertake social forestry projects in order to meet the increased requirements of raw materials.

Considering the dwindling bamboo resources and the relative inaccessibility of coniferous resources, the industry will have to resort to increasing use of mixed hardwoods. What we urgently need to do is to adopt a concerted approach aimed at the best utilisation, protection and conservation of forest resources together with elimination of waste. It is also believed that investment in forests has remained so low at 3 per cent that the importance of forest resources had not yet been appreciated. It is true that the forestry sector should be declared as an industry to enable it to get adequate institutional finance at reasonable rate of interest for increasing yield per hectare through scientific. Plantation, the quantity of forest produce can certainly be maximised even within the limited forest areas. It is high time that these related problems are properly looked into so that raw materials either for sugar or for paper industries are made available in adequate quantities..

With the improvement in literacy and the increase in paper work, the demand is projected to touch 13.76 lakh tonnes by 1982-83. Capacity utilisation can be raised by 5 to 10 per cent by streamlining production. Even so, the projected demand at 17 lakh tonnes in 1984-85 will not be fully met by indigenous units which would then have a production capacity of 24 lakh tonnes. The Government's Working Group on Paper has estimated a short-fall in indigenous supply to the order of 2/3 lakh tonnes in the next two years. That there has been no significant investment in the industry in the late sixties and early seventies is the root cause of our plight on the paper front. The long gestation period and the unattractive investment-turnover ratio for the industry have made capital shy. The price increases granted with the Government have been found to be wholly unsatisfactory. The cost of production of almost all units has increased with the continuous increase in the prices of inputs which have been as high as 46 per cent for power, 55 per cent for coal, 30 cent for iron and steel, 47 per cent cement and 58 per cent for transp Besides, most State Governments h raised the price of forest-based materials used by the industry. shortage of pulpable raw materi bamboo as well as long-fibre soft wo and the ban on the transport of materials from surplus States like Bi and Orissa to mills in other States h created problems for the industry.

Part of the answer lies in expand the capacity of integrated units, mak fuller use of installed capacity establishing of a chain of tiny units to 15 tonnes a day), using locally av able raw materials like bagasse. In long-term, development of new proc tion capacities is inevitable if the indu is to meet the demand for paper in next three years. The corporate sec must be encouraged to plan for capacities of 2 to 3 lakh tonnes in next three years in order to meet growing demand. The industry's for excise remission in the initial ye for new plants utilising the non-tradi nal raw material needs to be so exami that the new strategy for the next cade is now finalised. The Governm must explore the possibilities for redu the high rate of import duty on plant machinery and assure adequate suppl raw materials to attract fresh investm for tapping the growth potential of pa industry. The Hindustan Paper Co ration in the public sector has launc an ambitious plan to step up capac but its projects have fallen behind s dule. Some large new private sector must now be encouraged to come up a big way for meeting the growing mand as against the poor paper av ability at exorbitant prices. Man-m crisis can certainly be averted if national interests are not allowed t sacrificed while formulating an integr paper policy.

NOTICE

Due to increase in foreign postal rates the foreign subscription rates of EASTERN ECONOMIST have been revised as follows :

ANNUAL (Surface Mail) : $ 50 or £ 25

CHIEF EXECUTIVE

conomic Potential of Betelvine

Gordhan Singh & R. Srivastava

ELVINE CULTIVATION is one of the major
t-based industries of India. The im-
ance of betelvine, or pan as it is popu-
called, has been acknowledged since
y centuries in this country. It is an
grated part of Indian social customs
culture. No party or social get-together
onsidered complete without the offer-
of pan.

part from social and cultural values,
is widely known for its medicinal use
n time immemorial. Aurvedic litera-
is full of references on the use of
ous parts of betelvine for the treatment
uman diseases.

nfortunately this crop has not received
attention it deserved. Proper statisti-
records are not available with any
cy. It is, therefore, essential that
ough research, investigations and
nomic studies are taken up. In this
rd, a beginning has been made by the
ional Botanical Research Institute,
know. The Indian Council of Agri-
ural Research has sanctioned a co-
inated project on betelvine during
Sixth Five-Year Plan period.

lthough some literature on the various
cts of betelvine cultivation is available,
ystematic work seems to have been
e on classification of varieties of betel-
e. Recommendations about organic
ctices are based on observations and
eriences of growers. Thus, without
per technical know-how and techno-
cal support this crop has faced decline
eneral and economic terms in parti-
ar. This further strengthens the view
the crop needs a stimulus.

etelvine is grown under hot and humid
ditions. This limits the scope of re-
rch on this crop, as these conditions
conducive to infection by fungal disea-
and pests. Way back in 1975 a sur-
of betelvine diseases was carried in
ssa, Andhra Pradesh, Tamil Nadu,
rnataka, Maharashtra and Madhya
desh. The common diseases are foot
, selerotial wilt, anthracnose, leaf spots,
t rot and root knot. It is reported
t hardly any plant protection measures
carried out. The survey team has
wever not attempted to assess the eco-
mic losses due to diseases. This needs
be studied in order to assess the true
nomic potential of the crop. How-
r, NBRI in its coordinated project has
de it a point to estimate cost-benefit
io to disease control operations and
straints, if any, for rectification.

t is estimated that betelvine is grown
r 30,000 hectares of land in various parts of the country in Orissa, West Bengal, Uttar Pradesh, Madhya Pradesh, Maharashtra, Andhra Pradesh, Tamil Nadu and Kerala. Millions of people are earning their livelihood from this crop. According to a Government of India report (1978), an estimated area of 3,000 hectares is under this crop and 1.5 lakh families are engaged in its cultivation in West Bengal alone. This is an indication of the amount of employment generated by this crop. Nearly Rs 670 million worth leaves are produced every year. An estimated 300 tonnes worth about Rs 2.5 million are exported every year to Gulf and other countries. The economic potential of this crop can be appreciated from Table I.

TABLE I
Pan Exports from India

Year	Kgs	Value (Rs)
1968-69	208,080	5,65,045
1969-70	209,979	5,80,777
1970-71	372,066	9,40,244
1971-72	460,726	11,82,225
1972-73	331,221	13,97,631
1973-74	209,457	7,05,802
1974-75	253,029	10,83,577
1975-76	249,433	14,43,474
1976-77	304,401	22,91,984

It can be observed from this table that the quantity of betelvine exported during 1972-73 touched the peak at 4,60,000 kg. Since then there has been a fall in exports, Development of pan industry per se is more a marketing problem than the research one. The fact that this crop could earn foreign exchange worth Rs 11,82,225 in 1972-73 with 4,60,000 kgs exported is an indicator of the potential of this crop.

However, it may be noted that in the recent years the quantity of pan exported has been on the decline. This needs proper investigation and exploitation of the crop. Table II shows the quantity and value of betel leaves exported to different countries for the years 1978-79, 1979-80 and April-July, 1980.

These facts definitely show the economic potentiality of the crop. If properly tackled this crop can be very fruitful for earning foreign exchange for the country.

TABLE II
Destination of Pan Exports from India

Description of the Commodity and Country	1978-79		1979-80		April-July 1980	
	Qty (tonnes)	Value (Rs 000)	Qty (tonns)	Value (Rs 000)	Qty (tonnes)	Value (Rs 000)
1. Behrain	20	2,29	25	2,26	8	67
2. Bangla Desh	—	—	—	—	6	38
3. Canada	9	1,05	5	35	2	16
4. Hong Kong	5	1,15	0	0	0	0
5. Italy	3	34.0	—	—	0	0
6. Kenya	16	2,13	25	300	7	1,32
7. Kuwait	43	3,31	55	391	17	135
8. Nepal	28	1,36	26	1,03	3	17
9. Netherlands	6	1,02	—	—	0	0
10. Oman	112	9,72	101	8,25	20	1.58
11. Pakistan	975	97,68	—	—	0	0
12. Qatar	4	34.8	18	1,26	7	53
13. Reunion Islands	0	4.0	—	—	0	0
14. Saudi Arabia	62	5,66	74	6.01	32	2,61
15. Switzerland	1	15.0	—	—	0	0
16. Tanzania, Republic	0	5.0	0	4	0	0
17. UAE	8	88.0	12	1,00	25	2,36
18. UK	51	4,99	70	6,93	19	2,04
19. USA	0	0	0	8	0	0
20. Yaman, Arab Rep	0	3.0	1	9	0	7
21. Yaman, PD Rep	0	0	0	0	0	4
22. Other Countries	0	6.0	0	0	0	3
Total	1347	132,25	402	3429	146	133 1

Source: These figures are based on the data supplied by the Ministry of Commerce.

Rural Development in West Benga

Rural Development : Biplab Dasgupta; West Bengal Comperehensive Area Development Corporation, Calcutta; Pp 74; Price not given.

North-Eastern Hill Regions of India—Problems and Prospects of Development: Edited by T.A. Mathew; Agricole Publishing Academy, New Delhi; Pp 164; Price Rs 80.

Unemployment, Inequality, Parellel Economy — A Solution : Vadilal Lalubhai Mehta; Allied Publishers Pvt Ltd; New Delhi; Pp 141; Price not given.

Management of Capital Use in Indian Agriculture : Gurdev Singh; Rainbow Publications, Coimbatore; Pp 162; Price Rs 60.

Palanpur—The Economy of an Indian Village : C.J. Bliss and N.H. Stern; Oxford University Press; Pp 340; Price Rs 160.

Accounting for Price Level Changes: N. Mishra; Sultan Chand & Sons, New Delhi; Pp 243; Price Rs 50.

Reviewed by **Academicus**

WEST BENGAL Comprehensive Area Development Corporation (WBCADC) has been operating, since its establishment seven years ago, in twenty areas of the State of West Bengal, embracing about 800 villages and two per cent of the State's population.

Rural Development is a compact study, which gives a detailed account of the work done by WBCADC. It examines some of the critical issues of rural development and attempts being made to deal with them.

The WBCADC is a very powerful organisation both in terms of its composition and authority it enjoyes in rural areas under its jurisdiction. Thus under the act WBCADC is empowered "to force the cultivator to adopt specific crops and cropping practices, to permit other cultivarors to construct field channels on their lands and to provide with the information required by the Corporation".

Futile Exercise

But it is obvious that such powers and authority amount to very little in practice. No agency dare to coerce majority of farmers to cultivate a particluar crop in a particular way, if at the same time the agency is unable to provide any insurance against the consequent losses which the individual farmers might suffer.

The main unit of the activities of WBCADC in the rural areas is the project. There are in all 20 projects (1982) each district in West Bengal having atleast one project covering 40 to 50 villages, 4,000 to 50,000 people and 10,000 to 20,000 acres of land. Each project is administered by a project director who is assisted by a number of specialists.

The activities in each project are wide-ranging covering provision of irrigational facilities, agricultural inputs, credit, storage, marketing facilities, consumer stores, service centres, credit for small farmers, artisans and traders, rural industries, fishery, social forestry, animal husbandry, education and health, and special programmes for share-croppers, tribals, women and children.

BOOKS BRIEFLY

Part of the revenue of WBCADC comes from sale proceeds of service centres, consumers stores and urban selling points for rural industries and also from internatonal agencies like the UNICEF and FAO, while more than half the funds are provided by various State departments and central government schemes like the SFDA.

The activities of WBCADC cover the full range of problems facing the rural community and it has established close links with relevant Government departments, various agencies, voluntary bodies, universities and research institutions with a view to making the implementation of programmes effective. It is gratifying to note that WBCADC has come to be accepted by all concerned departments and agencies as a coordinating body for rural development.

Perhaps the most important contribution of WBCADC has been "the partnership with the local panchayats through the project advisory boards, and the shift in emphasis to experimentation with new crops, practices, technologies and institutions." It is observed that the organisation has become identified with the rural poor.

Some features of the WBCADC attract attention and may provide a
to other States in the matter of
developmenr—its integrated app
for the development of rural area
tead of blinkered, segimented an
partment-oriented view of rural
lopment; its efforts at coordinati
work of various departments and
cies; its experimentation with new
technologies and institutions; an
working in close partnership with
lage panchayats.

It is only since 1978 that WBC
has been very active in West Benga
therefore it is yet too early to s
judgement on WBCADC. The su
or otherwise of WBCADC shoul
judged after about a decade of its
life on the basis of the extent to
it has succeeded in raising the lev
consciousness of the local popul
by motivating them to become
reliant and making them aware of
own strength and above all on wh
it becomes possible for WBCAD
leave the project areas within abo
years and move on to new ones,
ing over all its activities to local b
and people for their future managem

There is a plethora of departm
organisations, agencies and various b
genuinely or supposedly working
rural reconstruction and develop
in most of the States. And yet du
various reasons results achieved
thoroughly disappointing in relatio
resources spent on the work. And t
fore this experiment of the Govern
of West Bengal would be watched
interest and, if successful, could pr
a model for other States.

N. E. INDIA

North Eastern Hill Regions of In
Problems and Prospects of Develop
contains papers by scholars and
ministrators presented at a nat
seminar on rural development, he
April 1978, at the North Eastern
University, Shillong.

The north-eastern region of
comprising Assam, Tripura,
ram and Meghalaya, has adistinct ge
phical and ethnic personality in s
of its own identity. This desperate s
for opportunities to realise their di
identity has over the years found e
sion in various ways—insurgenc
Mizoram and earlier in Nagaland,
movement for ousting of aliens in A
and sporadic burst of violence in M
laya and Manipur. Accordin

Mathew who edited this book, the
n of all these troubles and instability
be ultimately traced to desperate
omic conditions prevailing in most
of the north-eastern region of India.

til quite recently, majority of peo-
n these areas practised subsistence
ulture. For long therefore there was
ctive ownership of land and 'shift-
type of agriculture. All this kept
people away from modern market
omy. The obvious consequence was
mely low level of living of the
le bordering on poverty and
tution.

Gradual Process

change the traditional tribal pattern
ving, it is necessary that subsistence
omy is transformed into progressive
et-oriented economy. This is gra-
ly taking place in many areas of the
h-eastern region and the pace of
sformation is getting accelerated in
t years.

is observed that new crops and new
ods of cultivation are rapidly chang-
the economic structure. One conse-
ce is that communal ownership of
is rapidly being replaced by indi-
al land-ownership and contract is
dly replacing conventions. Natu-
commercialisation of land is on the
ease and consequently landless agri-
ral workers are growing in number
so is agricultural debt.

Rynjah, J.B. Ganguly and Anthony
en have analysed in their papers
ernment efforts to encourage 'set-
cultivation in place of 'shifting'
common cultivation and the deg-
of success achieved in this direction.
le there are many reasons for ab-
e of remarkable success in this, ac-
ling to C. Nunthara the main reason
o be found in "the neglect of the
ological considerations attendant on
n (communal) cultivation."

hile M.K.S. Nair has argued that
Meghalaya there are to be found
erent modes of production ranging
n primitive to capitalist, S.N. Guha
kurta has shown that in Meghalaya
equality in land distribution does
appear to be very much pronoun-
." The case studies undertaken by
. Choudhury, D.D. Mali and M.K.
illustrating certain aspects of the
hods of production and produc-
relations in three villages of Megha-
are extremely illuminating and em-
sise why sharecropping on 50:50
is with equal sharing of cost of culti-
on is the predominant type of te-
cy. Practice of fixed money rent has
found favour in these areas and in
over most of the region.

After carefully going through the papers concerning various socio-economic problems of the north-eastern region of India, it becomes possible to provide certain guidelines for future policy for socio-economic development of this region.

It is noticed that for long the various problems of the region received scant attention of both central and local Governments with the result that the various tribals and hill people continue to live in isolation and have not been brought into the national mainstream. The most important step (neglected so far) is comprehensive surveys of land and other resources of the area. At present scarcely any data is available and what is available is mostly unreliable.

Second, Government will have to take urgent steps to provide various infrastructure facilities, especially roads and other means of communications, to break the isolation of the area and people. Along with that schools, medical care, credit and marketing facilities need to be provided as also various agricultural inputs and industrial raw materials.

Third, while agriculture will be the dominant sector of the tribal economy, there is immense scope for development of forest and agro-based small-scale industries. Forest industries need to be developed and a systematic forest policy should be developed and implemented.

And, above all, the developmental policies for the region must be in consonance with socio-cultural environment of the area, because any radical attempt to break away from the traditional pattern of tribal life and culture of the people and impose a common macro economic policy on the region would ensure its complete failure.

The north-eastern region of India is strategically very important. The region therefore should receive special attention of the Government for at least next ten years or so, if the region is to settle down to peaceful and settled life and is to be appropriately integrated with the rest of the country. It is unfortunate that Government efforts in this direction so far have been misconceived, inadequate, misdirected, uncoordinated and therefore thoroughly ineffective.

SCOURGES OF THE ECONOMY

Unemployment, Inequality, Parallel Economy—A Solution is an enlarged version of a paper presented by the author at a seminar held in April 1981 at Sewagram, Wardha.

The author rightly thinks that the six scourages which are undermining the foundations of the Indian economy and moral fibre of the society are: unemployment and under-employment, growing inequalities, inflation, corruption and black money, inadequate supply of basic necessities to the poorer section of society and population explosion. It would be instructive to examine what the author, who is a scholar and social worker of long standing, has to say on the above problems which are staring in the face of the country.

Author's Prescription

The author has rightly pointed out that unemployment and poverty go hand-in-hand. According to him: "An attractive policy objective might be to create a more productive traditional society rather than to expand a modern sector." This is because if we concentrate on the modern sector which depends on capital-intensive technology of production, that will not provide increasing employment opportunities; on the contrary that will displace labour and worsen income distribution. The author wants that steps should be taken to promote rural industries, especially agro-based industries. Large-scale industries produced goods worth about Rs 80,000 crores in 1981-82 employing only about 62 lakh workers. He wants that nearly 20 per cent of the annual total industrial production should be reserved for rural and small-scale industries. This would according to him, create employment opportunities for about 150 lakh persons.

While promoting rural and small-scale industries, it would certainly be possible to introduce appropriate modern technology such as lathes, presses, welding, boring and moulding machines, grinders, power tools and above all electricity. This will help both to provide increasing employment to rural people among whom unemployment and poverty are very acute at present and at the same time increase productivity of workers enabling them to earn more and live a higher standard of living.

It should be the duty of the Government to provide electricity, training facilities, raw materials, credit and marketing facilities for the development of rural and small-scale industries.

There is much substance and logic in the author's thesis that whatever can be produced and produced efficiently and well with appropriate modern technology by small-scale and rural industries should be allowed to be produced by them only and large-scale industries should be allowed to produce only those goods which are beyond the capabilities of the small-scale industries or only for export. There appears to be no alternative to the above-mentioned strategy to solve the problem of unemployment and under-employment and consequent mass poverty in the country. This strategy therefore requires unbiassed and critical appraisal. There is much sense in Gandhiji's statement that he would not mind 40,000 people producing what 40 crores of people can produce, provided the 40 crores are not left unemployed and without income.

As regards the problem of growing inequalities, the author has pleaded that levels of wages and of employment are relatively higher in public sector industries. And therefore he has pleaded for greater socialisation of means of production. He has also made an attempt to show that investment in public sector enterprises is not less productive or profitable than its counterpart in the private sector, especially when it is kept in mind that the public sector has also to achieve various socio-cultural objectives. As regards the author's belief in public sector as an instrument to increase employment and to reduce inequalities, the author has failed to carry conviction to readers. His findings are clearly contrary to facts.

Analysing the problem of inflation, the author opines that the fundamental cause of inflation is enormous rise in Government expenditure, a large part of which is unproductive and wasteful. Thus Government expenditure has risen from 4.5 per cent of GNP in 1950-51 to 10 per cent of GNP in 1981-82 or in other terms from Rs 450 crores in 1950-51 to Rs 10,200 crorses in 1980-81. Even if Government expenditure is kept at 7 per cent of GNP, it would mean a reduction of Rs 9,310 crores in Government expenditure with beneficial effects on budgetary deficits and money supply.

Provision of Necessaries

The author wants that all the basic necessities of life should be provided to people at reasonably controlled prices whereas rich people should be prohibited from spending any amount on luxuries which should be allowed to be produced only for export purposes.

As regards black money and parallel economy, the author finds a nexus between political elections, tax evasion and emergence of black money and parallel economy. Enormous amounts are spent by candidates on various elections at various levels. The amounts are raised from contributions of private industrialists and in return quid pro quo is provided to them. It is strange that in India only 0.35 per cent of the people (of whom 80 per cent are employees with fixed salaries) are income-tax payers. This means that there is enormous tax evasion in the case of practically all direct taxes of which Government is aware but takes no heed of it as contiibutions for political elections come from this section of community. Annual tax evasion is supposed to amount to between Rs 15,000 to Rs 25,000 crores.

The author's suggestion to fight this all-pervading evil or corruption, black money and parallel economy is to see that Government meets all election expenses of every candidate at all levels. He has worked out that the amount works out to a little over Rs 4 crores per year. The author has therefore strongly pleaded for immediate electoral reforms.

The author's analysis and recommendations are based on his long-standing experience as a social worker in rural areas. There is no doubt that our sophisticated borrowed models of growth which neglected to take into account out resources-base, culture and historical traditions and institutions have dismally failed to even touch the problem of unemployment and mass poverty while inflation, inequality and population explosion have been further accentuating mass poverty and misery.

There is urgent need to critically review our growth models and strategies which since 1951 have failed to deliver the goods. The author has made eminently practicable recommendations which can be easily accommodated even in the present models of growth and straegies.

CAPITAL IN AGRICULTURE

Transformation of Indian atriculture from its age-old traditional pattern into modern business enterprise would naturally involve higher per acre use of irrigational facilities, chemical fertilisers, improved seeds and plant protection measures. All this in turn demands necessary investment in modern agricultural equipment and machinery.

Management of Capital Use in Indian Agriculture is based on Gurdev Singh's research. He has analysed the reosurce-use pattern in Indian agriculture and has maintained that "The low levels of operating capital use and investment in depreciable assets, coupled with imbalance between them remains an important factor for low production and under-utilisation of resources on individual farms."

The author's examination of resource availabilities and their use-pattern indicated that "draft power and machinery remained idle for a good part of the year even during their peak demand period. According to him, the possible reasons for this are low levels of variable i and a sub-optimal crop-mix. Also consequence of this was that the c vation of land, especially of larger f was less intensive.

The author's empirical study p out that use of plant food nutrients as phosphorus and potash use per acr much below the optimal level whil ten plant protection measure is not sidered as an essential agricultural i The consequence of all this was output per acre on most of the fa even in the case of smaller holdin Punjab.

On account of low share capital depo the availability of institutional credit far below the maximum credit lim the case of practically all farms. resulted in reduced use of opera capital, acted as an effective constrair additional production often leaving capital assets only partially utilised.

Optimum Combination

The author has concluded that on farm under a given set of resources optimum combination of operating ca and fixed capital assets would resul higher level of production. Any devia from this combination would make of the two components relatively sc and result in reduced output.

It is observed that the potential to operating capital increases with incr in fixed investment on farms. This w mean that provision of finance for f assets like tractors, wells and other a cultural machinery and financing operating capital like fertilisers, se etc. should be appropriately coordina

Unfortunately this aspect has received due attention so far and in regard Gurdev Singh has made signific contribution. But it needs to be emphas that under dynamic conditions opti relationship between fixed assets and op ting capital would go on varying and have to be appropriately ascertained.

The policy-implication of this st is that loaning policies of land deve ment banks and coopetative and ot institutions giving long-term and sh term loans respectively will have to appropriately coordinated taking i account at the same time the size the farm to be cultivated and numbe family members working on the farm is unfortunate that for want of this caution, a considerable amount of w age of fixed capital assets or opera capital or of both has been taking p all these years in the Indian agricult sector.

The significant findings of this st would provide a sound basis for com ing various agricultural inputs in ropriate and optimal manner and ole farmers to make the maximum of all tne factors involved in agriural operations in such a way that e is maximum output from the given cultural resources.

VILLAGE ECONOMY

alanpur—the Economy of an Indian ige is concerned with the study of an an village, particularly with its agriure. The authors have made an mpt ot test the theories of underelopment and the motives and beour of poor farmers in the village of npur situated in Moradabad district Jttar Pradesh. They have discussed etail tenancy, area of land leased in leased out by farming households, ecropping, relation between farm size output, ownership of various assets agricultural households, and pattern income distribution in the village. urally such a study has important lications for development theory and policy for the future development of npur and also other Indian villages.

ccording to the authors, generally ket conditions faced by villagers of npur can be described as 'perfect' he usual sense of the term (i.e. sellers aving as if they can sell as much as like without affecting the price). nsport of produce to markets was ap and straightforward and therefore roblems arose concerning monopoly transport outlets. Also no problems e because of small number of pursers of various traded commodities.

he wage rate in Palanput was not l and there were larger number of ers and sellers of labour both in npur and outside the village. But peculiarity of village labour market that labour hirings were on a day-to- basis and there were very few long- n contracts.

he major source of credit in Palanpur he 'Cooperative Credit Union'. The t on borrowings by farmers is fixed on basis of land owned and the number hares in the union. For many farmers marginal source of credit is the private ey lender. There is no single dominant ey-lender in Palanpur and any amount oan is available from them, though he rate of 2 to 3 per cent above the charged by the cooperative union.

rigation water seemed to be freely lable at given rates and pumping were easily available on hire. The problem was availability of water he desired time. Fertilisers could be ght at given prices and in desired ntities without any trouble.

was observed that in Palanpur the ages between markets appear to be concentrated around land contracts. Thus bargain might involve the tenant taking on land under share tenancy, agreeing to work on the plots cultivated by the landlord, and in return being provided with credit and irrigation facilities.

It appears that many farmers have a good idea of the consequences of varying their input decisions, though techniques and inputs in question were relatively new to them.

It appeared that most farmers are not prepared to ignore the disutility of extra work on their farms. But there were some farmers alert to opportunities, conscious of costs and benefits of their decisions and with definite objectives in mind. According to the authors "These differences in response are to an important extent associated with differences in attitude to uncertainty they involve...different levels of enthusiasm, entrepreneurship and drive." In the final analysis the response of farmers to a given situation or change appeared to be influenced by wider factors like social and religious attitude and psychological attitude to life and work.

Share-Tenancy

Tenancy in Palanpur is almost entirely share tenancy, the rental share almost everywhere being 50:50. There is equal cost-sharing of purchased inputs. These tenancy contracts are repeated from year to year. Naturally good tenants receive preferential treatment. Generally possession of draught animals and greater availability of family labour meant an easy entrance ticket to tenancy. The rental basis of 50:50 prevails because it is conventional and has come down from the time of the Moghul and the British rule.

The main advantage in this practice appears to be risk-sharing because there appears to be no alternative institution providing similar risk-sharing. Also in UP share tenancy is not illegal whereas fixed rent tenancy is. Under share tenancy the landlord can claim that the tenant is a labourer working under his instructions.

The significant finding of the authors is that "tenancy does not make much difference to output per acre or to levels of inputs....The evidence from Palanpur is contrary to the idea that tenancy provides an important disincentive to productivity."

There has been a lively discussion in the literature on Indian agriculture which seeks to explain an apparent negative relation between output per acre and size of a farm. It is therefore a striking feature of the findings of the authors that they found output per acre unaffected by the size of holdings.

More irrigational facilities, fertilisers and better seeds have definitely increased productivity of land in Palanpur.

The authors have carried out a detailed study of Palanpur and yet they believe that there are certain areas that need further research and investigation: Why is it that some markets emerge rather than others? Why is it that 50:50 division in share tenancy remains so resilient ? Why is it that farmers simultaneously display strong risk aversion while refraining from simple actions such as use of pesticides which can reduce uncertainty? How far is the adopted cropping pattern a response to uncertainty? All these should be matters for future research.

As regards policy-implications of the study, the authors observed much ignorance among farmers and many farmers showed no willingness even to learn from more progressive fellow-villagers nor inclination to seek out knowledge. This implies that there is as yet much work for effective extension services which should bring knowledge of better practices to wider range of farmers. They have emphasised that returns to investment in education must not be under-estimated. But at the same time without creating proper motivation and cultural awareness, extension services would not be in a position to achieve substantial results.

The question that arises is: "How can a study based on one village (Palanpur) teach us anything?" The authors themselves have raised this question. Their answer is pertinent. They have emphasised that taken alone this study could only be suggestive. Nevertheless they think that "it is usefully suggestive."

Each village has its own history, tradition, problems and priorities. Only such micro studies would be in a position to provide satisfactory answers to problems of rural reconstruction and development supplemented by macro theories of development. *Pala npur* is an absorbing study and should provide an excellent model for similar inter-disciplinary village studies in different States.

ACCOUNTING FOR INFLATION

Most economies have been experiencing for quite some time inflationary conditions and there appears to be as yet no let up in the process. Continuing inflationary conditions naturally affect business accounting. Though problems of inflation accounting (also known as replacement cost accounting, current value accounting, etc.) are being discussed widely in the UK and the USA for quite some time, it is only in recent years that in India the problem is attracting the attention of academicians, professional institutions and journals. In this book based on his Ph.D. thesis, N. Mishra, the author, has made an attempt to deal with various aspects of this important problem.

Accounting for Price Level Changes makes an attempt to measure effects of changes in price-level on financial statements of four selected manufacturing companies—two from the public and two from the private sector. For this purpose, the conventional accounts for the period 1961-62 to 1974-75 have been adjusted for changes in price-level, the adjusted accounts being expressed in a uniform monetary unit of the rupee of March 31, 1975.

The price-level adjusted accounts are analysed from various angles and results foscusing attention on important financial aspects of the four companies are presented by the author.

As regards sales, it was observed that reported sales of each year as a percentage of sales in the base year (1961-62) were found to be overstated. According to the author, the overstatement was of the order of 455 per cent in the case of Hindustan Insecticides Limited (HIL), 939 per cent in the case of Hindustan Steel Limited (HSL), 210 per cent in the case of TISCO, and 8.044 per cent in the case of Hindustan Organic Chemicals Limited (HOCL).

Earning Overstated

It was observed that earnings before tax were also overstated in the case of all the four companies compared to conventional accounts, the overstatement in this regard varying between 40 per cent (HIL) to 244 per cent (TISCO).

The reported net income of every one of the four companies was higher than those disclosed by price-level adjusted accounts, the overstatement varying from 12 per cent (HOCL) to 566 per cent (TISCO).

This would mean that in the case of all the four companies "The overall impact of price-level adjustments turned a number of profit-years into loss-years." For example, adjusted accounts of HSL revealed that it incurred losses all the 14 years and TISCO in 9 out of 14 years, though according to conventional accounts profits were made during all the years.

The overall effective rate of dividend in 1974-75 was much lower than the nominal rate as disclosed by conventional accounts. The effective rate of dividend in 1974-75 compared to the base year (1961-62) was only 2.7 per cent in the case of HIL, 3.9 per cent in the case of TISCO and 7.2 per cent in the case of HOCL.

Due to rise in price-level, the purchasing power of dividends given to the shareholders was not maintained at the level of the base year. The author has calculated that the shareholders of HIL, HOCL and TISCO should have received 60 per cent, 65 per cent and 44 per cent more in 1974-75 than what they actually received as dividend that year, to maintain stable purchasing power of their dividend at the 1961-62 price level.

As regards maintenance of capital, the author has observed that: "Each of the four companies recovered as depreciation, in real terms, less than what was needed to maintain the purchasing power of its capital originally invested in fixed assets." The overall deficiency in provision for depreciation as a per cent of the adjusted account of depreciation was 25 in the case of HOCL, 29 in the case of HIL, 31 in the case of TISCO, and 32 in the case of HSL.

Warped Picture

Thus the author found that sales were overstated; net operating income and earnings before taxes were much lower after adjustment; many profit-years were really loss-years; dividend distributed amounted to less in real terms to shareholders; amount of depreciation was much less than needed for replacement of capital assets; and real rate of return on invested capital was much lower than the disclosed rates.

All this definitely means that due to continual price rise, there arises considerable amount of distortion in financial accounts and statements maintained by the companies impairing their usefulness. The results as disclosed by the published accounts are quite distorted and their interpretative value is significantly lower.

And therefore the author has rightly recommended that all financial statements should be considered on the basis of price-level adjustments. He has recommended that since all companies cannot adopt the recommended procedure all at once, the large-scale manufacturing companies should give a lead by preparing along with their traditional accounts, "supplementary financial statements showing the effects of price-level changes on their historical cost accounts."

This study by N. Mishra is of great significance. The lesson of the study is that for every establishment, there is an urgent necessity during a period of continual inflation of preparing every year accounting or financial statements based on price-level changes because otherwise we get a thoroughly di
picture of the activities of the est
ments as also of their financial
tions over a period of time.

Books Received

Cooperative Dairying in India:
Kulandaiswamy; Rainbow Publica
Coimbatore-641 030; pp 240; pri
60/$ 10.

Cases of Cooperative Manag
Dr G.S. Kamat; Rainbow Publica
Coimbatore-641 030; pp 173; pri
45/$8.

Regional Planning—Exporlations
Agriculture and Industry; Baldev
Oxford & IBH Publishing C
Janpath, New Delhi-110 001; pp
price Rs 50.

Indian Economic Structure
Policy; Ashok V. Bhuleshkar; D
Prakashan, 2 Laxminagar Coope
Housing Society Ltd, No. 2
Naranpura Vistar Post Office, Ah
bad—380 013; pp 616; price Rs
$25/£15.

Population Education for Quali
Life : M.M. Mascarenhas; Oxfor
IBH Publishing Co., 66 Janpath,
Delhi-110 001; pp 362; price Rs 5

North-South Debate· L.K.
Chanakya Publications, F 10/14
Town, Delhi-110 009; pp 153;
Rs 55.

Gandhiji and Village: Sheo K
Lal; Agricole Publishing Aca
D-76 Panchsheel Enclave, New
110 017; pp 99; price Rs 70/US $

Oilseeds Economy of India—A
study of groundnut: Uma Kapila;
cole Publishing Academy, New
110 017; pp 264; price Rs 125/US

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Chief Executi

STATE OF THE ECONOMY

ew ECGC Schemes Boost Exports

E Export Credit and Gua- tee Corporation (ECGC) is lising three new schemes as t of its endeavour to step up orts. Besides it is of the nion that we should concen- e on sub-Saharan Africa as markets in industrialised ntries are shrinking.

peaking to newsmen after 24th annual general meet- , the Chairman-cum-Manag- Director of ECGC, Mr). Sathe, said in New Delhi July 24 that the new emes would consist of the rseas stocks finance guaran- the force majeure risk er and quality control er. The first scheme would tamount to setting up ware- ises so that stocks can be de available off-the-shelf, he case of the force majeure cover, guarantees would undertaken by ECGC to tect customers from the ts of God and the Govern- nt." Through this scheme, rantee would be extended inst strikes, power cuts and h factors as are outside the trol of manufacturers or orters. Strikes that take ce in the establishments of nufacturers or exporters, vever, would not be cove- since these "can be engi- red."

he third scheme of affor- g quality control cover uld be selectively introdu- on certain items and certain customers. This uld be done at the exporting through quality control dards and at the buyers' through international lity control bodies, when- r disputes arose. The pre- m charged for this would small, at around 0.05 per t of the price. Added to premium now charged at 0.19 per cent on price, this would bring the overall premium to only around 0.24 to 0.25 per cent of price.

Mr Sathe felt that the future of project exports was bright. Starting just three to four years ago, the orders now were for Rs 5,000 crores of exports which were likely to rise to Rs 16,000 crores by the end of the decade. The ECGC, he said, was involved at every stage of project exports which lasted for five to 10 years but in exceptional cases could go up to 15 years.

Intense Competition

About 55 per cent of India's exports, Mr Sathe pointed out, were going to the industrialised countries, but prospects of boosting exports to these markets could not be considered bright because of intense competition and recession ? On the other hand, the prospects of boosting exports to sub-Saharan Africa were very good. At the moment, exports to sub-Saharan Africa were worth Rs 150 crores. Thes were projected to go up to Rs 400 crores in 1982-83 and further to Rs 1,000 crores by 1986.

Forty per cent of the total exports, Mr Sathe said, were now-covered by ECGC. The percentage was around 30 four years ago. It would be difficult, however, to exceed 50 per cent as such bodies elsewhere in the world had also not done so, added Mr Sathe.

Mr Sathe further stated that the value of business covered by ECGC in the first year of its existence was Rs 1.3 crores, but now in its 24th year, it had risen to Rs 7,415 crores. The premium income in 1981 was Rs 1,360.73 crores, an increase of 29 per cent over the previous year. The value of business underwritten in 1981 at Rs 7,416.21 crores, an increase of 10 per cent over the previous year. ECGC has paid a dividend of 10 per cent on its paid-up capital. The amount of gross claim paid amounted to Rs 18.49 crores in 1981, against Rs 11.37 crores in 1980.

Mr Sathe also said the corporation proposed to set up an independent "exporters assistance cell" to serve as a data bank for Indian exporters. The areas of information to be covered would include international commercial laws, market intelligence and buyers catalogues.

Sugar Industry's Plea

The Indian sugar industry expects an export quota of 10 lakh tonnes of white sugar next year. This year's quota is 6.5 lakh tonnes of refined sugar, which in terms of raw sugar comes to seven lakh tonnes. With India securing the first position as a producer of vacuum pan sugar during the current crushing season, it is felt that it will be fully justified in asking for a higher export quota under the International Sugar Agreement.

In a memorandum to the Union Ministry of Agriculture, the industry of course, has submitted that future exports should be effected out of free-sale sugar as by the end of September, when the current sugar year comes to close, the proportion of free-sale sugar in the estimated carry-forward stock of 72 lakh tonnes will be as high as 56.4 per cent. Under the present dual pricing policy, the proportion of free-sale sugar in the overall output has to be 35 per cent which is much lower than the expected proportion in the carry-forward stock as on September 30. The share of levy sugar in this stock will be 43.6 per cent.

The industry realises that the loss on export of free-sale sugar will be higher than if exports are effected out of levy sugar. But such losses, it is stressed in the memorandum, have to be considered in the interest of the overall sugar economy of the country. Free-sale prices have to be maintained to enable factories to keep up payments for cane supplies.

It has further been suggested that exports next year should commence from the month of January itself. Eighty per cent of exports should be completed by the end of June itself, i.e. before the onset of monsoons.

On current reckoning, the net availability during the current sugar year is expected to be 93 lakh tonnes. Internal consumption and exports up to September-end will aggregate to 62 lakh tonnes, leaving a carry-forward stock of 31.93 lakh tonnes. Production during the 1982-83 sugar year is estimated around 30 lakh tonnes. This will raise the net availability next year to 93.93 lakh tonnes. If exports are continued to around this year's quota under ISA, internal consumption and exports will not be able to absorb not more than 67 lakh tonnes. The industry, thus, will be burdened with a carry-forward stock of 44.93 lakh tonnes on September 30, 1983.

Sugar Bufferstock

To lighten this excessive burden, it has been urged that the Government should procure this year a minimum of 10 lakh tonnes from the industry for buffer-stocking purposes. The buffer by the end of the 1982-83 crushing season should be raised further to 15 lakh tonnes. This, it is argued, is essential not only to maintain stable prices of sugar within country but also to ensure that export commitments are fulfilled regularly on a long-term basis.

The industry feels that for protecting the interest of cane-growers, the minimum price payable for cane supplies should be fixed at least at the level of Rs 15.50 a quintal linked to the basic recovery of 8.5 per cent, as recommended by the Agricultural Prices Commission, if not at a higher level. It should be ensured that gur and khandsari producers also pay reasonable prices for supplies to them as they consume about 55 per cent of cane production. Wide disparity between the prices payable by sugar manufacturers and gur and khandsari producers will entail diversion of large cane supplies to factories necessitating extension of crushing to hot summer months which is not in the interest of growers because cane gets dried up with the onset of summer and loses heavily in weight. Growers also suffer if the crushing season is prolonged: they cannot utilise the land vocated from sugarcane for growing other crops.

It has also been pleaded by the industry that the margin for bank credit should be uniformly reduced for both levy and free-sale sugar to 15 per cent, as had the case till last year, from 25 per cent during the current year. This will release about Rs 200 crores to mills which can be utilised for clearing to a large extent cane arrears.

The long duration of the current crushing season, the industry says, has necessitated extensive repairs for machinery. This calls for raising of the limit of clean loan for repairs being raised from Rs 25 lakhs to Rs 50 lakhs per unit so that the industry can gear itself to the task ahead of its during the next crushing season.

Sony Information Seminar

Sony Corporation of Japan held a seminar in New Delhi on July 27, under the title Sony Technology Information Seminar. In a speech, which was read at a press conference on the occasion, Sony's President, Mr Yashoda traced the relationship of his organisation with India to 1976 when Sony started to market its broadcast and institutional video recorders in this country, in collaboration with Sarabhai group. In 1980 Sony demonstrated the one-inch C Format VTR in Doordarshan.

The technical superiority of this machine was recognised by Indian engineers. In 1981, the Government of India suggested Sony to joint manufacture of U-matic video-cassette tapes. Sony intends to provide Indian films recorded on Sony's high quality video cassette tapes to 17 million Indians living outside India.

Mr Yashoda referred to the visit of the Information and Broadcasting Minister, Mr Vasant Sathe, to Japan where he expressed the idea of using Sony's systems in the national broadcasting of Asian Games to be held in November.

Video has steadily been replacing film. Sony has recently produced a magnetic still camera called Mavica, and a colour video printer which are a great advance in the photo technology.

ILO Tenders: AIEI's Plea

In a memorandum submitted to the Government, the Association of Indian Engineering Industry has pleaded for extension of export benefits for supplies effected under the tenders floated by the International Labour Organisation. The ILO extends technical co-operation to Government in collaboration with the United Nations Development Programme covering a wide range of activities, including technical assistance projects in developing countries. It procures equipment for such projects through global competitive bidding. One of the stipulations in such tenders is that the bidder should quote its prices on ex-works basis and in case the bid is awarded, the goods are required to be supplied to UN Resident Representative in the country of supply of goods enabling him to consolidate all the items and ship the same in one lot. Because of this arrangement, even though the items are actually exported out of the country, the Indian exporters are not in a position to claim the export benefits like cash compensatory support, duty drawback, excise duty and sales tax exemption in the absence of proof of export in the form of either a marine shipping bill or a land shipping bill. The only documents available with the exporters are either railway receipts or GC notes consigned to the ILO Resident Representative. This results in a situation where Indian bids become uncompetitive because the offers against such global tenders floated by the ILO have to be made without taking into account the export benefits, which forces the bidders to add 30 per cent more to the prices.

The AIEI has also suggested that (a) cash compensatory support may be made available to exporters on the strength of a certificate from the ILO, Geneva, regarding the payment for the particular transactions in foreign exchange and (b) a copy of forwarder's certificate of receipt issued by the UNDP representative as an acknowledgement for having received the goods may be accepted as the basis for issuing AR4/AR4A form and form 'H' in lieu of either a marine or land shipping bill.

GNFC's New Venture

The Gujarat Narmada Valley Fertilizers Company Limited (GNFC) has started its regular production of urea. It has also enhanced its impact by marketing its Ammonia. This will result in the savings of foreign exchange by way of reducing the import of liquid ammonia for fertilizers and other industrial production. GNFC has built in capacity of producing 1350 tonnes of ammonia per day of which about 1080 tonnes are utilised for capacity urea production of 1800 tonnes per day. Some 270 tonnes of ammonia per day is made available to the indigenous market. For the benefit of fertilizer industry GNFC has committed a supply of 50,000 tonnes of ammonia this year. This would replace imports and result directly in the savings of foreign exchange to the tune of Rs 12 crores.

JULY 20

Industrial Output

The monthly index of industrial production for April 1982 at 167.5 was higher than that for April 1981 by seven per cent (base 1970=100). The growth rate during the first four months of 1982 over the corresponding period of 1981
showed a rise of 5.8 per c
Compared to last month
decrease of 9.1 per cent in
index is accounted for ma
by fall in the production
mining and quarrying ele
cal machinery, apparatus
pliances and supplies, tr
port equipment and chemi
and chemical products aga
the increase in production
beverage industries and o
products except machinery
transport equipment.

Anti-dumping Bill Introduced

The Finance Minister,
Pranab Mukherjee, introdu
in the Lok Sabha a bill s
ing to amend the Cust
Tariff Act to bring the p
sions of the Act into co
mity with the provisions o
Article VI of GATT and a
ments on subsidies and c
tervailing measures. A
VI of GATT provides th
contracting party may le
contervailing duty on th
port of any product of
any bounty of subsidy gra
in the exporting countr
"levy any anti-dumping
on any dumped product to
set dumping". The article
provides that these duties
be levied only if it is
mined that the effect of s
disation or dumping is
as to cause or threaten
rial injury to an establ
domestic industry or is
as to retard materially th
tablishment of a domesti
dustry in the importing cou

JULY 21

Review of Shipping

A high level review o
State-owned shipping
panies, the Shipping C
ration of India and the
Line, has been undertake
the Shipping and Tran
Ministry. Presiding over
rate review meetings, the
ter for Shipping and Tran
Mr Veerendra Patil aske
shipping companies to ta
vantage of the current rec
in the shipbuilding in
and place order for the
within the next cou
months at the reduce
prices prevalent in the
market.

Referring to the recess

e freight market, the Minis- said that the shipping mpanies should take effec-- e measures to cope with the mp in the freight market by forcing stricter monetary ntrol. He said that a 5 per nt cut in the operational ex- nses will go a long way in porting the finances of the mpanies.

amil Nadu Plan r Electronic Bank

The Electronic Corporation Tamil Nadu (ELCOT) has ns to start an electronic mponent bank to help the ctronic industry in the small- le sector, the Tamil Nadu dustry Minister, Mr S. Thiruna kkarasu, stated. He said e bank would import elec- nic components and supply em to small-scale industria- ts who found it difficult to port them (nearly 90 per nt of the components used manufacture of electronic ms in the State are im- rted).

LY 22

ew Car Models

Hindustan Motors expects to mmence production of a new del of car in early 1983. emier Automobiles is also roducing the Fiat 124 model r and have negotiated loans r financing import of dies.

This was disclosed in the ajya Sabha by the Industry inister, Mr N.D. Tiwari while plying to questions.

He said that these two manu- cturers had been allowed to port dies to change the dels of their cars.

Conceding that prices have en increased by the manu- cturers, he noted that prices d been rather stable in the st year. Since there was no ntrol on prices of passenger s, the question of taking y prior approval of Govern- nt did not arise.

The Government had, how- r, impressed upon the nufacturers the need to ld the price line and avoid ce escalation. The Bureau Industrial Costs and Prices ich was asked to look into matter had submitted its report to the Government and it was being examined.

Dairy Equipment for USSR

The Pune-based Vulcan-Laval plant will supply to the Soviet Union dairy industry equipment for milk pasteurisation, hermetic separations and stainless steel tanks of 8,000 litre capacity and other items. A Rs 2.7 millon contract was signed between the all-union foreign trade organisation. "Technopromimport" and the Vulcan-Laval of Pune recently.

This is the first major order of its kind for the supply of Indian equipment to the USSR for food proceeding according to a Soviet Embassy press release. The plant can offer to the USSR some other products, too, for example, its plate heat exchangers for various capacities, usable both in food and chemical industry.

JULY 23

No Licensing for Small Electronic Units

Mr S. Majumdar, Industrial Adviser, Electronics, Government of India stated recently that the Government proposed to delicense manufacture of all electronic items in the small-scale sector which did not involve high technology or more than 25 to 30 per cent imported components. Mr Majumdar regretted that India's production of electronic goods amounted to a paltry 0.5 per cent of the country's GNP while it was eight per cent and thereabout in countries like South Korea, Taiwan and the Philippines.

NTC Loses

The National Textile Corporation (NTC) which manages 112 sick textile mills in the country has suffered a loss of more than Rs 100 crores during the financial year 1981-82. The corporation had earlier placed as provisional losses during this year at about Rs 76 crores but the actual official results now available put the loss at Rs 104 crorers the highest so far. The heavy loss this year is attributed to high cotton prices, power cut and increased cost of transportation of coal to mills.

Under the new textile policy announced in March 1981, the NTC's obligation to produce controlled cloth has been kept at 325 million sq. meter for 1981-82. As against this during the first six months of 1981-82 its mills produced 153 million sq. metres of controlled cloth meant for the weaker section of the society and made available to them at subsidised rates.

Wholesale Price Index Up

The official wholesale price index for all commodities for the week ended July 10, 1982 at 290.4 showed a rise of 0.2 per cent over 289.8 for the previous week.

The index for non-food articles group moved up by 1.3 per cent to 245.3 from the previous week's level of 242.2. Likewise the other groups that showed an uptrend in the indices were minerals by 0.8 per cent to 1120.8 at against 1111.4 for the earlier week; food products by 0.6 per cent to 274.3 as against 272.6.

JULY 24

Growth Rate Declining

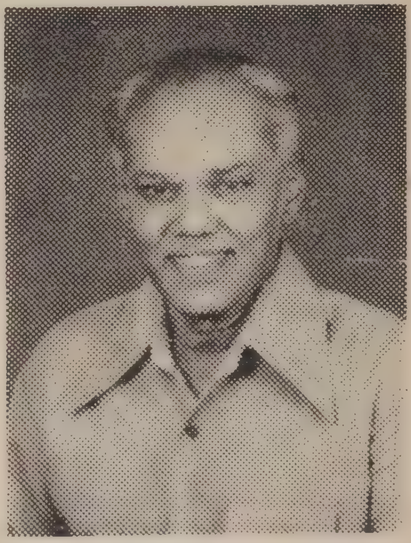
The engineering industry fears that 1982-83 the year of productivity will end with a whimper on account of the continuing credit squeeze and power scarcity. In fact, a decelerative growth rate has already been recorded in a number of units in recent months. The Association of Indian Engineering Industry (AIEI) President, Mr Vinod Doshi said at the annual meeting of its sugar machinery division that the growth rate in April 1982 was 5,5 per cent against 12 per cent during the corresponding month last year.

Changes in Import Policy

The Government has allowed import of nickel against export of non-ferrous manufactures (including industrial valves) and the import replenishment allowed will be 30 per cent. By another amendment in the import policy, the import replenishment against export of insulated copper cables has been reduced to 20 per cent for import of lead against 60 per cent earlier. Against export of electric fans, the face value restriction for import of copper has been raised from the present 20 per cent to 50 per cent. Another change in the policy is that against export of internal combustion engines, pumps and compressors of all types, the import replenishment rate has been raised from 10 per cent to 15 per cent for items in appendics 3, 4 and 6 canalised list exoluding high speed steels; stainless steel in any form electronic items in appendix 3 canalised list and pig iron.

Names in the News

At the twentyfifth annual general meeting of the Madras Stock Exchange, held recently the following members were elected to the council for the year 1982-83. Government of India, Stock Exchange Division, have now nominated the President and the Vice-President, from amongst elected members to the council. **Mr R.M. Ramanathan** (M/s R.M. Ramanathan), President ; Mr S. **Ramaswami** (M/s Subramaniam & Co.), Vice-President; **Mr G.R. Chandrasekariya** (M/s Dalal & Co.), Treasurer; **Mr V.K. Padmanabhan** (M/s V.K. Padmanabhan & Co.), Member; **Mr V. Ganesan** (M/s Venkataraman & Co.), Member; and **Mr N. Sridhar** (M/s Chitra & Co), Member.

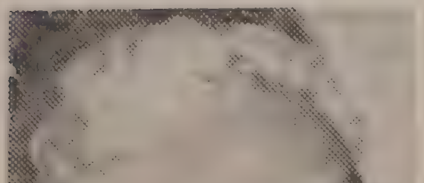


Mr R.M. Ramanathan

Rajasthan Financial Corporation

JAIPUR

Address to the 27th Annual General Meeting



Shri R.D. Thapar

Gentlemen,

I have great pleasure in welcoming you all to the 27th Annual General Meeting of the Shareholders of this Corporation. Copies of the Annual Report on the working of the Corporation during the year as also the Statement of Accounts and the Auditor's Report thereon have been in your hands for sometime now. I hope you have been able to go through the same and I shall, therefore, with your permission take them as read.

The year 1981-82 was particularly unfortunate for the State of Rajasthan. Certain eastern districts of the State experienced the worst ever floods of the century causing large scale destruction of life and property. Most of the western districts of the State suffered from another successive drought. The kharif crops were severely damaged in the flood-affected areas. The State was bedevilled with an acute power shortage. Productivity in industrial units was severely affected. Consequently many of our assisted units were not able to generate sufficient cash surpluses. It is indeed gratifying that despite such heavy odds the enthusiasm of the entrepreneurs of the State was not dampened with whose cooperation we have been able to show all-round progress which I will elaborate shortly.

Temporary constraints notwithstanding, the long-term power prospects in the State are very encouraging as several projects for generating additional electricity are in the offing which will take care of the power shortages.

Sanctions

During the 27th year of its operation, the Corporation has accelerated the pace of loan sanctioning The number of pending loan applications has come down to 1559 as against 1672 as on 31st March, 1981. During the year, the total outstanding assistance has increased to Rs 94.90 crores from Rs 68 47 crores. The Corporation has sanctioned new loans of the order of Rs 45.65 crores. The six backward district have received proper attention in this regard. Composite assistance both for equipments and working capital up to Rs 25,000 to artisans and village & cottage industries has increased to Rs 3.14 crores from last year's figure of Rs 2.68 crores. During the year, loans amounting Rs 5.47 crores have been sanctioned to 559 entrepreneurs belonging to Scheduled Castes Tribes as against loans of Rs 1.75 crores to 453 entrepreneurs in the previous year. The Corporation has announced concessions to disabled and ex-service men entrepreneurs in case of loans up to Rs 2.00 lakhs interest in such cases is charged at 2% less than the normal rate with reduced margin of 10%. The application fee is also charged at half the rate.

2. Assistance for Captive Power Generation

The industrial units of the State have faced acute power shortage almost throughout the year. To meet with this situation, the Corporation continued its liberal assistance to assisted as well as to non-assisted units, for creating captive power generating capacity. The State Government has announced a scheme effective from 1.1.1982 to sanction 50% subsidy on purchase of diesel generating sets costing up to Rs 2.50 lakhs by SSI units. Loans to the order of Rs 1.37 crores were sanctioned to 92 units during the year.

3. Disaursement of Loans

The Corporation has continued its efforts for ex-peditious disbursement of loans sanctioned. The significance of timely loans assistance in order to mitigate the effects of inflationary situation and secure increase in the rate of industrial growth has been fully realised. The disbursements during the year amounted to Rs 29.96 crores as against Rs 26,10 crores during the previous year. This shows an increase of 14.79% over the performance of the preceding year.

4. Release of Subsidy

Subsidy @ 15% of investment by the General Government as well as the State Government continued to be admissible during the year. The disbursement of subsidy amounts to Rs 4.23 crores to 1,768 units. Corporation to the previous year, the member or units benefited is larger by 671.

5. Resource Mobilisation

The liberal support extended to the Corporation by the State Government and the Industrial Development Bank of India has been helfpul in undertaking operations of this magnitude. We received contributions towards share capital and equity loan to of Rs 3.83 crores from the State Government and IDBI.

6. Recoveries

As we all know, increased loan assistance in the ensuing years would depend largely on the timely recovery of the amounts falling due. We are also aware of the shortage of power supply almost throughout the year. The shortage of power supply has affected the repaying capacity of the entrepreneurs adversely. Despite this situation, the vigorous efforts made in this regard have resulted in recovery of sizeable amounts. We have been able to recover Rs 12.05 crores towards principal and interest during the year as against recovery of Rs 8.83 crores during the receding year. However, this is 65.31% of the toral recoverabl amount. The recoveries made during the year have brought down the percentage of overdue to total loans outstanding as at the close of the year to 10.88% which was 12.66% at the close of the previous year.

7. Revival of Sick Units

During the year under review, 62 units with capital investment of Rs 1.07 crores were revived. Of these,
33 were revived in the har
original entrepreneurs where
case of remaining 29 units,
ship has changed hands.

Looking Ahead

Over the last 27 years of ou
rations, we have grown
modest businers of Rs 7.28 la
1955-56 to a gross sanction
45.65 crores in the year 19
This represents a great leap fo
in the business operations
Corporation, That increasin
large number of entrepreneur
reposed confidence in us shou
a matter of some satisfaction
Your Corporation can also
legitimate pride in the fact
has played its modest role in
ing up an industrial climate i
State. The entrepreneurs
tions of the people having
aroused, we will have to work
harder and faster in order to
with the larger influx of loan
cations. To meet this requir
strengthening of the organis
base of the Corporation is i
tive. The complexity of our
tions demand an adequate
based and a commensurate m
ment Information system.
with this, is the gap that exist
regard to training of our per
at different levels. A sound m
rial and technical cadre eq
with the latest techniques
project appraisal, planning,
have to be developed in the
of the rapid expansion in the
ties of your Corporation. I
we will be able to adequately
this challenge and endeavour
up to the expectations of the
preneurs.

In the years to come, reco
our loans falling due should
the most important place
future strategy. Adequate s
follow-up and monitoring
tects assisted by us will have
provided both at the Head
and the Branch level. We w
to initiate preventive action
the number of sick and clos
at the minimum possible lev
vital role of field staff in thi
cannot be overemphasised.

Concerted efforts to reach
the weaker sections of the s
Scheduled Castes and Sc
Tribes will have to be made
sonance with the declared o
of the Government to provi

n assistance to this category of epreneurs.

uring the year we have progresy delegated powers to sanction s at different levels to facilitate availability of our assistanee cially to entrepreneurs belongo weaker sections. SC/ST and iny sector. Our attempt to tify and help such entrepreneurs has yielded rich results. The assistance within this sector has increased manifold in relation to the preceding years.

To conclude, there is a lot to be achieved in the years to come. With your support continuous faith of entrepreneurs and generous cooperation of the State Government and the Industrial Development Bank of India, we hope to forge ahead with our determination to build a strong industrial base in Rajasthan.

I wish to place on record my gratitude to the Government of India. Government of Rajasthan, Industrial Development Bank of India and other financial institution, I am sure you would join with me in expressing our appreciation to the staff who under the able guidance of the Managing Director have made these results possible,

I now commend the Balance Sheet and Directors' Report for your valuable consideration.

Thank you.

RA&SS

हर कारीगर व राज की पसन्द
शक्ति में सर्वोत्तम
चेतक
ब्रान्ड
सीमेन्ट
बिरला सीमेन्ट वर्क्स
चित्तौड़गढ़
चेतक
५०-किलो
पोर्टलैण्ड सीमेन्ट
प्रो. बिरला जूट मैन्यू. कं.लि. कलकत्ता-१

COMPANY AFFAIRS

Modi Alkalies and Chemicals

Modi Alkalies and Chemicals Ltd is entering the capital market on August 2, 1982, with a public issue of 39,77,500 equity shares of Rs 10 each for cash at par.

The company, incorporated on March 1, 1979, is setting up a chemical complex with annual licensed capacity of 33,000 tonnes of caustic soda, 16,400 tonnes of liquid chlorine, 10,000 tonnes of hydrochloric acid and 12,600 tonnes of stable bleaching powder/calcium hypochlorite in Matsya Industrial Area, Alwar. The company has been promoted by the Modi Industrial House including Modi Industries Ltd, Modi Rubber Ltd, Modi Spinning and Weaving Mill Co Ltd and Modipon Ltd.

The company has entered into an agreement with UHDE India Ltd—the Indian subsidiary of the world renowned UHDE GmbH, West Germany, well known for its mercury cell technology for the manufacture of caustic soda/chlorine—for providing complete design and detailed engineering for the project as well as assistance for various construction and commissioning activities. UHDE is also providing guarantees for the plant capacities, product qualities and consumption of raw materials, utilities and various chemicals based on specific composition of salt.

The location of the plant has been selected keeping in view its nearness to the sources of raw materials especially salt from the Saurashtra area of Gujarat and Sambhar Lake in Rajasthan.

The site is well connected by road and various infrastructural facilities are available.

The cost of the project estimated at Rs 2670 lakhs, is being financed by an equity capital of Rs 875 lakhs, term loans of Rs 1740 lakhs unsecured loans from promoters amounting to Rs 40 lakhs and Central investment subsidy of Rs 15 lakhs.

All financial, technical and infrastructural requirements have been tied up. Majority of civil work is complete. The company is implementing the project at a rapid pace and it expects to start commercial production by the first quarter of 1983.

As per the detailed market survey carried out by the company, the gap is especially large in the marketing zone of the company, comprising the States of Rajasthan, Haryana, Delhi and Western UP. No difficulty is expected by the company in selling its entire production of chlor-alkali products.

In addition to the income tax benefits under Sections 80HH, 80I and investment allowance that the company is eligible for, the investors are eligible for income tax benefits under Sections 80CC, 80L and Wealth Tax exemption for five years.

Out of the total public issue of Rs 397.75 lakhs, Rs 175 lakhs are reserved for preferential allotment to non-resident Indians and persons of Indian origin resident abroad.

English Electric

The Directors of the English Electric Company of India Limited have recommended a dividend of Rs 2.75 per share, subject to deduction of tax for the year ended March 31, 1982. The dividend, if approved by the members at the forthcoming annual general meeting, will be paid on and after October 11, 1982.

The company during the year ended March 31, 1982 had sales and other income of Rs 3717.5 lakhs (Rs 2904.2 lakhs) and profit before tax at Rs 746.4 lakhs, (Rs 635.2 lakhs). Gross profit of the company stood at Rs 274.4 lakhs (Rs 193.2 lakhs). Investment allowance reserve absorbs Rs 27.2 lakhs (Rs 14.1 lakhs) and proposed dividend subject to deduction of tax Rs 123.7 lakhs, (Rs 112.5 lakhs). Rupees 123.4 lakhs was transferred to general reserve.

Electrolux Enters Indian Market

Electrolux, with some 100,000 employees and a group turnover in 1981 of SKR 12.2 billion, is today the world's largest manufacturer of commercial and domestic vacuum cleaners and floor polishers with annual sales of more than six million units. Its market share is as high as 25 per cent globally.

Electrolux has now expanded its operations in India, in collaboration with Forbes Forbes Campbell & Co Ltd, for the marketing of its domestic appliances. A new company, Eureka Forbes Limited has been formed with equity participation of 40 per cent by Electrolux and 60 per cent by Forbes Forbes Campbell &Co Ltd. The vacuum cleaners are manufactured in India by a facility near Bangalore set up by an associated company involving a capital outlay of Rs 1.25 crores

After its successful product launch in Bombay earlier this year, the Eureka Euroclean now comes to Delhi. The marketing operations are expected to be extended to Calcutta in early August, and Madras and Bangalore before the close of the year.

The technology and features incorporated in this cleaner make it a complete and versatile cleaning system for homes, offices, restaurants, hospitals, nursing homes, etc. Not only does it remove dust from carpets but also from
floors, curtains, upho
materials, grills, picture
even car interiors. E
Forbes Limited intends
ing additional quality
ducts to the comsumers,
step in the near future.

Asian Paints to Enter Capital Market

Asian Paints (India)
a leader in the paint inc
in India, is offering for
scription 1,685,000 e
shares of Rs 10 each
premium of Rs 13. Of
118,000 shares have bee
erved for preferential
ment to the employees
business associates of the
pany. As many as 42
shares are offered to
resident Indians and pe
of Indian origin abroa
repatriation basis. The ba
of 11,45,926 shares are o
for subscription by the I
public. The list open
August 16.

The company is makin
capital issue with a vie
meeting the listing rec
ments of stock exchanges
company has at presen
its register 1,200 shareho
The holdings of the two
moters of the compan
placed at 80 per cent.
this issue, their holdings
represent 53 per cent o
enhanced capital.

The response to the
is expected to be quite
couraging although it is
at a premium of Rs 13 a s
The book-value of the
is placed around Rs 22
the issue price is Rs 23.
Chairman, Mr Champaki
Choksey, told newsmen
the Controller of C
Issues had permitted a
mium of only Rs 13 wh
the company had aske
a premium of Rs 20 a s

Despite the relatively
premium, market circle
that the response will be
because of several encou
factors. First the com
performance since its inc
four decades ago has
excellent. In the past few
the growth rate in sal
been of the order of 20 p
and according to Mr Cl
the overall turnover i

alf of 1982 was up by r cent. Expectations are the tunover for 1982 l cross the Rs 80 crores.

h Steel Pipes

Directors of Zenith Pipes and Industries finalised the basis of nent in respect of the any's recent public issue nvertible debentures.

plicants for five deben- have been allotted in Those for 10 to 15 de- res have been allotted 10 tures, while those for 20 have been offered 15 tures. Applicants for 60 have been offered bentures, 55 to 75, 25 tures and 80 to 140, 30 tures.

els

teels has suffered a set- during the year ended h 31,1982 because of the r unrest at its Vatva The Directors of the company have proposed to passover the equity dividend for 1981-82.

Although the company's sales have increased by 25 per cent, its profits have declined. Its gross profit is placed at Rs 19.7 lakh only.

Premier Automobiles

The Premier Automobiles Ltd has reported to have fared well during the year ended June 30, 1982.

Sales of the company have risen substantially to Rs 165 crore as against Rs 104 crore achieved in the previous year.

Sales of cars have risen from 14,697 to 20,465 and that of commercial vehicles from 1,847 to 2,777.

It may be menitioned that operations in the first quarter of the previous year were affected due to cessation of work on account of labour unrest and therefore, the figures, for the previous year represent only nine months working.

Bonus Issue by Thana Electric

The Thana Electric Supply Co proposes to issue bonus shares in the ratio of one share for every one share held, subject to usual consent capitalising a sum of Rs 35 lakh.

After the allotment of bonus issue, with a view to raising additional resources, the company also proposes to issue right shares in the ratio of one share for every two shares held, amounting to Rs 35 lakh.

Lakshmi Loom Works

Lakshmi Automatic Loom Works proposes to manufacture airjet weaving machines and necessary collaboration arrangements are being finalised

The company has fared well during the year 1981-82. Despite setback in turnover from Rs 9.17 crore to Rs 7.70 crore, the company has earned a higher profit of Rs 91.79 lakh as against Rs 44.22 lakh in the previous year. After providing for depreciation Rs 43.99 lakh (Rs 29.91 lakh), the net profit works out higher at Rs 47.79 lakh (Rs 14.30 lakh). After providing for previous year's depreciation and other adjustments, the surplus of Rs 5.85 lakh (Rs 16.64 lakh) has been carried to balance sheet. In view of the carry forward losses, the Directors have not proposed any dividend.

Ranbaxy Lab.

Ranbaxy Laboratories is coming out with 13.5 per cent secured convertible debentures aggregating to Rs 450 lakh. Out of this, the public issue for the face value of Rs 125 lakh is expected to open on September 15 and Rs 100 lakh to non-resident Indians on September 1, 1982.

Each debenture of Rs 200

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consists of a convertible part of Rs 50 and a non-convertible part of Rs 150. The convertible part of Rs 50 shall automatically be converted into five equity shares of Rs 10 each at par on October 1, 1983.

The company is embarking on a major capital expenditure programme in 1982 and 1983 aggregating to Rs 7 crores. The debenture issue is being made to provide part of the finance for these projects.

Gujchem Distillers

Gujchem Distillers India has reported improved results for the year ended March 31, 1982 and the Directors have proposed to maintain the equity dividend of Rs 17 per share absorbing Rs 18.05 lakh (same).

During the year under review, sales and other receipts have risen from Rs 6.71 crore to Rs 8.89 crore and gross profit from Rs 1.01 crore to Rs 1.36 crore. After providing for depreciation at Rs 60.02 lakh (Rs 56.66 lakh), for taxation at Rs 25.75 lakh (Rs 1 lakh) and for investment allowance reserve at Rs 10.76 lakh (Rs 6.70 lakh), the net profits works out higher at Rs 39.59 lakh as against Rs 36.79 lakh in the preceding year. After plough backs and other adjustments, disposable profit works out at Rs 46.91 lakh (Rs 62.54 lakh).

Out of this, proposed equity and preference dividend absorbs Rs 21.85 lakh (same) general reserve Rs 15 lakh (Rs 30 lakh) and balance of Rs 10.05 lakh (Rs 10.68 lakh) to next year's account.

Lower Sales by Abbot Laboratories

Abbot Laboratories (India) Ltd recorded a poor sales performance on account of labour agitation and "go slow" by the empolyees, the Chairman of the company, Mr R.N. Langrana, told shareholders at the 36th annual general meeting of the company held in Bombay. It was the first annual general meeting of the company after its Indianisation.

However, sales for the remaining five months of the year are projected to be higher than those during the last seven months, he said. The company is seeking opportunities for new product introductions which were hitherto precluded by FERA restrictions. The company is also considering broadening the base with products outside the price controls like the DPCO.

The company is also proceeding with its programme for bulk drug manufacture which is expected to improve profitability.

Mr Langrana said that the gloomy period for drugs seemed to be dispersing and was hopeful of achieving full capacity utilisation. He said the drug industry could not bear any more cost increases and unless price increases were immediately allowed, it would hinder the viability of the industry.

Essar Bulk Carriers Ltd.

Essar Bulk Carriers Limited (EBCL), has plans to expand its fieet by acquiring 10 ships in the next two years. With this acquisition, the company's investment in its fleet will go up from Rs 90 crore to Rs 166 crore.

The company's present fleet consists of six modern sophisticated tankers including one OBO "Shivchand" of 65,000 dwt capacity. The aggregate capacity of the fleet is about 145,000 dwt. The expansion plans are to add two bulk carriers of 27,000 dwt capacity each and eight supply vessels for ONGC. The two bulk carriers together will cost Rs 36 crore and the supply vessels about Rs 40 crore. Mr Ravi Ruia, Director of the shipping company said that the order for the bulk carriers had been placed with Hindustan Shipyard. The deilvery of the first of the two ships was expected by the end of 1983 and that of the second was still not finalised. The Shipping Development Fund Committee had agreed to help the company by advancing a loan to the extent of 90 per cent of the purchase price of the ships. The company will meet the remaining 10 per cent out of its internal resources.

Capital and Bonus Issues

Fourteen companies have been allowed to raise capital.

The following are the details:

Bonus Issues

McDowel and Companies: Rs 1.6 crores in fully paid equity shares of Rs 10 each in the ratio of 1:1.

Shalimar Paints Ltd: Rs 43,54,800 in fully paid equity shares of Rs 10 each in the ratio of 3:10.

Sri Bhagavathi Textiles Ltd: Rs 13 lakhs in fully paid equity shares of Rs 100 each in the ratio of 1:2.

Maharashtra Hybrid Seeds Company Limited: Rs 15 lakhs in fully paid equity shares of Rs 100 each in the ratio of 1:1.

Lamina Suspension Products Pvt Ltd: Rs 3.71 lakhs in fully paid equity shares of Rs 500 each in the ratio of 1:1.

Statfied Eqsuipment Private Limited: Rs 1,38,600 in fully paid equity hares of Rs 100/- each in the ratio of 2:5.

SAJ Engineering Limited: Rs 3.75 lakhs paid equity shares of each in the ratio of 1:1.

Borosil Glass Work Rs 74,80,310 in fully equity shares of Rs 1 in the ratio of 1:3.

SF India Ltd: Rs 42.5 in fully paid equity sha Rs 10 each in the ratio o

Forbes Forbes Campb Co Ltd: Rs 64,21,920 i paid equity shares of each in the ratio of 2:6.

Further Issues

Indo Hokke Hotels Li Issue of equity shares 120 lakhs of or cash at

Press Metal Corpo Limited: Issue of secure convertible debentures aggregate value of Rs 50 to the Indian shareholde cash at par, on pro-rata

The Andhra Cement pany Limited: Issue of shares of Rs 275 lak cash at par.

Lohia Machines Li Issue of 2,82,500 se convertible debentures 200 each for cash at par.

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